92-2253

A	AIC INTERNATIONAL INC	10Q	11-30-91
B	BURNUP AND SIMS INC	10Q	01-31-92
C	CROP GENETICS INTERNATIONAL CORP	10Q	03-31-92
D	DATAIMAGE INC	10Q	03-31-92
E	ENSCOR INC	10Q	03-31-92
F	HALLMARK HEALTHCARE CORP	10Q	03-31-92
G	HARRELL INTERNATIONAL INC	10Q	12-31-91
H	INVG MORTGAGE SECURITIES CORP	10Q	03-31-92
I	LANCER INDUSTRIES INC	10Q	03-31-92
J	LANIER BANKSHARES INC	10Q	03-31-92
K	LEVY BANCORP	10Q	03-31-92
L	OLYMPUS CAPITAL CORP	10Q	03-31-92
M	OMNI USA INC	10Q	03-31-92
N	PIGGLY WIGGLY ALABAMA DISTRIBUTING CO INC	10Q	01-31-92
O	PRIDE PETROLEUM SERVICES INC	10Q	03-31-92
P	PROCYTE CORP	10Q	03-31-92
Q	TREMONT ADVISERS INC	10Q	03-31-92
R	UNITED FIRE & CASUALTY CO	10Q	03-31-92
S	UNITED SERVICES ADVISORS INC	10Q	03-31-92

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended November 30, 1991   Commission file number 1-7948

AIC INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

11-2192898
(I.R.S. Employer Identification No.)

117 East 57th Street, Room 21-H New York, NY 10022
(Address of principal executive offices - Zip code)

Registrant's telephone number, including area code: (212) 838-3220

Former name, former address and former fiscal year, if changed since last report.

Indicate by check whether the registrant (1) has filed all reports required to be filed be section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Number of shares of each class of common stock outstanding as of:

November 30, 1991 - 4,207,379

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AIC INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(000 omitted except for share data)

ASSETS

	November 30, 1991 (Unaudited)	February 28, 1991
CURRENT:		
Cash	$ 107	$ 275
Trade receivables, less allowance of $77 for possible losses at February 28, 1991	1,773	1,563
Merchandise inventories	4,152	2,798
Prepaid expenses and other current assets	463	517
Due from related party	75	170
TOTAL CURRENT ASSETS	6,570	5,323
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation and amortization	77	70
OTHER ASSETS	18	238
	$6,665	$5,631

LIABILITIES AND STOCKHOLDERS' EQUITY

	November 30, 1991 (Unaudited)	February 28, 1991
CURRENT:		
Bank loans	$1,539	$ 192
Accounts payable - trade	556	514
Foreign income taxes	255	350
Other taxes	420	440
Liability for product warranties	69	85
Accrued payrolls, commissions and other liabilities	216	315
Due to related party	894	808
TOTAL CURRENT LIABILITIES	3,949	2,704
OBLIGATIONS PAYABLE AFTER ONE YEAR:		
Accrued pension costs	112	128
TOTAL LIABILITIES	4,061	2,832
STOCKHOLDERS' EQUITY:		
Common stock, $.10 par - shares authorized - 10,000,000; issued - 4,244,879	424	424
Additional paid-in capital	6,720	6,720
Deficit	(5,383)	(5,365)
Accumulated translation adjustment	955	1,132
Treasury stock, at cost - 37,500 shares	(112)	(112)
TOTAL STOCKHOLDERS' EQUITY	2,604	2,799
	$6,665	$5,631

See additional financial data.

AIC INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(000 omitted except for share and per share data)

	Nine Months Ended November 30,		Three Months ended November 30,	
	1991	1990	1991	1990
NET SALES	$8,369	$8,314	$2,954	$3,495
COST OF GOODS SOLD	5,601	5,766	1,868	2,473
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,692	2,388	1,046	867
Total costs and expenses	8,293	8,154	2,914	3,340
INCOME BEFORE TAXES ON INCOME	76	160	40	155
TAXES ON INCOME	94	112	23	71
NET INCOME (LOSS)	$ (18)	$ 48	$ 17	$ 84
NET INCOME (LOSS) PER SHARE	$ -	$ .01	$ -	$ .02
WEIGHTED AVERAGE NUMBER OF SHARES	4,207,379	4,207,379	4,207,379	4,207,379

See additional financial data.

AIC INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(unaudited)
(000 omitted)
NINE MONTHS ENDED NOVEMBER 30, 1991

	Total	Common Stock	Additional Paid-In Capital	Deficit	Accumulated Translation Adjustment	Treasury Stock, At Cost
BALANCE, March 1, 1991	$2,799	$424	$6,720	$(5,365)	$1,132	$(112)
NET LOSS, for the nine months ended November 30, 1991	(18)	-	-	(18)	-	-
AGGREGATE ADJUSTMENT FOR THE NINE MONTHS ENDED NOVEMBER 30, 1991 RESULTING FROM THE TRANSLATION OF FOREIGN CURRENCY STATEMENTS	(177)	-	-	-	(177)	-
BALANCE, November 30, 1991	$2,604	$424	$6,720	$(5,383)	$ 955	$(112)

See additional financial data.

AIC INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(000 omitted)

	Nine Months Ended November 30,	
	1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (18)	$ 48
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, amortization and other	(205)	481
Decrease in provision for possible losses on accounts receivable	(77)	(61)
Decrease (increase) in:		
Accounts receivable	(134)	(698)
Inventories	(1,354)	131
Due from related party	95	90
Prepaid expenses and other current assets	54	(219)
Other assets	220	(42)
Increase (decrease) in:		
Notes payable - administrative creditors	-	(10)
Accounts payable - trade	43	75
Due to related parties	86	-
Taxes	(95)	3
Accrued expenses and other liabilities	(151)	234
Total adjustments	(1,518)	(16)
Net cash provided by (used in) operating activities	(1,536)	32
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase (sale) of fixed assets	21	(56)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings from (repayments to) bank	1,347	(3)
NET DECREASE IN CASH	(168)	(27)
CASH, beginning of period	275	50
CASH, end of period	$ 107	$ 23

See additional financial data.

AIC INTERNATIONAL, INC. AND SUBSIDIARIES

ADDITIONAL FINANCIAL DATA
(unaudited)

NOTE 1 - Results for the periods shown are not necessarily indicative of results for the full year.

NOTE 2 - The data herein reflects all the adjustments which, in the opinion of management, are necessary for a fair statement of the results for the interim periods.

NOTE 3 - There were no sales of unregistered securities during the quarter ended November 30, 1991.

NOTE 4 - The financial data are subject to year-end audit: note disclosures required under generally accepted accounting principles are included in the Company's annual report (Form 10-K) for the fiscal year ended February 28, 1991. Form 10-Q should be read in conjunction with such annual report (Form 10-K).

AIC INTERNATIONAL, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net Sales

The Company's net sales increased for the nine months ended November 30, 1991 by $55,000 to $8,369,000 from the comparable period's sales of $8,314,000 in the prior year. Sales increased due to sales of new products such as video accessories and video surveillance equipment in the European market.

Net sales for the three months ended November 30, 1991 were $2,954,000 as compared to $3,495,000 for the three months ended November 30, 1991, a decrease of $541,000 or 15.5%.

Cost of Sales

The Company's total cost of sales as a percentage of sales was 66.9% for the nine months ended November 30, 1991 as compared to 69.4% for the same period of the previous year.

For the three months ended November 30, 1991 and 1990, cost of sales as a percentage of sales was 63.2% and 70.8%, respectively.

Operating Expenses

Operating expenses for the nine months ended November 30, 1991 and 1990 were 32.2% and 28.7% of sales, respectively.

Operating expenses for the three months ended November 30, 1991 and 1990 were 35.4% and 24.8% of sales, respectively.

Provision for Taxes

The provision for taxes for the periods presented does not bear the customary relationship to income (loss) before income taxes because of foreign income taxes owed on the Company's German subsidiary.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunot duly authorized.

AIC INTERNATIONAL, INC.
Registrant

James B. Wong, President

Stephen Tak-Lun Lai,
Chief Financial Officer

Date: June 25, 1992.

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FORM 10-Q
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________ .

Commission file number ~~0-3797~~ 1-3766

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BURNUP & SIMS INC.
(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of incorporation or organization)

[illegible]
(I.R.S. Employer Identification No.)

One North University Drive, Ft. Lauderdale, FL
(Address of principal executive offices)

33324
(Zip Code)

(305) 587-4512
(Registrant's telephone number, including area code)

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Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding as of January 31, 1992
$ .10 par value	8,768,339

Page 1 of 13 Pages
[redacted]

Burnup & Sims Inc.
Form 10-Q
January 31, 1992
Index

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Signature Page 13

BURNUP & SIMS INC.
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands Except Per Share Amounts)

	THREE MONTHS ENDED JANUARY 31,		NINE MONTHS ENDED JANUARY 31,	
	1992	1991	1992	1991
	(unaudited)		(unaudited)	
Revenues	$ 34,600	$ 40,007	$ 116,141	$ 136,123
Costs and Expenses:				
Costs of Revenues	30,427	34,493	100,409	116,530
General and Administrative	3,536	4,559	11,044	12,725
Depreciation and Amortization	1,624	2,039	4,994	6,535
Interest Expense	1,147	1,385	3,647	4,761
Interest and Dividend Income	(972)	(1,869)	(3,021)	(5,703)
Other	(255)	6,822	(1,372)	5,169
Total Costs and Expenses	35,507	47,429	115,701	140,017
Income (Loss) Before Income Taxes and Equity in Net Income (Loss) of NBC	(907)	(7,422)	440	(3,894)
Provision (Credit) for Income Taxes	(380)	(3,055)	185	(1,680)
Income (Loss) Before Equity in Net Income (Loss) of NBC	(527)	(4,367)	255	(2,214)
Equity in Net Income (Loss) of NBC	0	(904)	0	956
Net Income (Loss)	$ (527)	$ (5,271)	$ 255	$ (1,258)
Average Shares Outstanding	8,768	9,666	8,768	9,664
Earnings (Loss) per Share	$ (0.06)	$ (0.55)	$ 0.03	$ (0.13)

BURNUP & SIMS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)

	JANUARY 31, 1992 (unaudited)	APRIL 30, 1991
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 9,937	$ 10,870
Accounts Receivable - Net and Unbilled Revenues	25,556	28,376
Inventories and Other	10,690	11,488
Total	46,183	50,734
Investment and Note Receivable - NBC	29,900	29,861
Property - At Cost	84,963	85,425
Accumulated Depreciation	(62,203)	(61,492)
Property - Net	22,760	23,933
Excess of Cost over Equity of Businesses Acquired	5,842	6,231
Real Estate Investments and Other Assets	12,131	11,914
Total Assets	$ 116,816	$ 122,673
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current Maturities of Debt	$ 4,048	$ 6,862
Accounts Payable	7,839	7,440
Accrued Insurance	2,531	2,898
Accrued and Deferred Income Taxes	893	3,409
Other	6,869	9,022
Total	22,180	29,631
Other Liabilities	13,040	13,120
Long-Term Debt	11,381	7,337
Convertible Subordinated Debentures	27,125	29,750
Shareholders' Equity		
Common Stock	1,602	1,602
Capital Surplus	72,025	72,025
Retained Earnings	43,603	43,348
Treasury Stock	(74,140)	(74,140)
Total	43,090	42,835
Total Liabilities and Shareholders' Equity	$ 116,816	$ 122,673

BURNUP & SIMS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	NINE MONTHS ENDED JANUARY 31, 1992	1991
	(unaudited)	
Cash Flows from Operating Activities:		
Net Income (Loss)	$ 255	($1,258)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,994	6,535
Undistributed Earnings of NBC	0	(956)
Gain on Sale of Assets	(669)	(840)
Gain on Repurchase of Debentures	(1,111)	(912)
Loss Related to Subsidiary Sold-Net of Income Taxes	0	4,500
Changes in Working Capital:		
Accounts Receivable - Net and Unbilled Revenues	2,819	6,375
Inventories and Other Current Assets	798	2,452
Accounts Payable and Accrued Insurance	32	(3,447)
Interest and Income Taxes Payable	(3,571)	(3,573)
Other Current Liabilities	(1,078)	(3,384)
Other, Net	(482)	178
Net Cash Provided by Operating Activities	1,987	5,670
Cash Flows from Investing Activities:		
Capital Expenditures	(3,623)	(2,874)
Proceeds From Sale of Assets	987	942
Net Cash Used in Investing Activities	(2,636)	(1,932)
Cash Flows from Financing Activities:		
Borrowings Under Line of Credit Agreement	3,000	0
Repayments Under Line of Credit Agreement	0	0
Debt Borrowings	9,288	0
Debt Repayments	(12,572)	(11,129)
Issuance of Common Stock	0	89
Net Cash Used In Financing Activities	(284)	(11,040)
Net Decrease in Cash and Cash Equivalents	(933)	(7,302)
Cash and Cash Equivalents - Beginning of Period	10,870	17,678
Cash and Cash Equivalents - End of Period	$ 9,937	$ 10,376
Cash Paid During the Period:		
Interest	$ 4,723	$ 5,587
Income Taxes	2,767	4,003

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 1992

1. The accompanying unaudited condensed consolidated financial statements of Burnup & Sims Inc. (the "Company " or "Burnup & Sims") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. The information furnished reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the periods presented. The results of operations are not necessarily indicative of results which might be expected for the entire fiscal year. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended April 30, 1991.

2. In December 1990, the Company and National Beverage Corp. ("NBC") approved a plan whereby (a) Burnup & Sims would distribute as a dividend to its shareholders of record on January 28, 1991, including NBC, all of the common stock of NBC held by the Company (the "Distribution") and (b) NBC would exchange 3,846,153 shares of Burnup & Sims common stock held by NBC for certain indebtedness of NBC held by the Company (the "Exchange"). Accordingly, the Company, until February 1991, owned approximately 42% of the outstanding common stock of NBC and used the equity method to account for such investment. The Company currently owns 150,000 shares of NBC Series C 7% Preferred Stock, par value $1.00, with a total stated value of $15,000,000, and a $17,500,000 principal amount Restated14% Subordinated Debenture due from NBC in installments through November 1, 2000. Investment and Note Receivable - NBC is summarized as follows (in thousands):

	January 31, 1992	April 30, 1991
Investment - Preferred Stock	$ 12,700	$ 12,700
Subordinated Debenture	17,200	17,161
Total	$ 29,900	$ 29,861

3. Earnings per share is based on the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three and nine-month periods ended January 31, 1992 excludes approximately 3.8 million shares of treasury stock resulting from the Exchange. The weighted average number of common shares outstanding for the three and nine-month periods ended January 31, 1991 excludes approximately 2.9 million shares, which represents 42% of the 7.0 million shares of common stock of the Company held by NBC during that period.

4. Other liabilities are summarized as follows (in thousands):

	January 31, 1992	April 30, 1991
Deferred Income Taxes	$ 4,292	$ 4,272
Accrued Interest - Non-Current	3,340	3,340
Accrued Insurance	5,408	5,508
	$ 13,040	$ 13,120

5. Debt is summarized as follows (in thousands):

	January 31, 1992	April 30, 1991
12% Convertible Subordinated Debentures due 2000	$ 29,750	$ 32,375
Revolving Line of Credit - Bank Agreement	3,000	--
Term Loan Payable - Bank Agreement	8,882	10,023
Collateralized Notes & Installment Contracts	922	1,551
Total Debt	42,554	43,949
Less Current Maturities	4,048	6,862
Non Current Debt	$ 38,506	$ 37,087

In accordance with the sinking fund requirements of the Company's 12% convertible subordinated debentures, approximately $2.6 million face amount of debentures were repurchased during the second quarter of fiscal years 1992 and 1991. Other income for the nine-month periods ended January 31, 1992 and 1991 includes gains from the repurchase of debentures of approximately $1.1 million ($.07 per share) and $.9 million ($.05 per share), respectively.

On August 2, 1991, the Company entered into an agreement with a lending institution (the "Bank Agreement") to refinance amounts due under a term loan payable. The facilities extended to the Company under the Bank Agreement include (1) a six-year term loan in the maximum principal amount of $9,188,000 bearing interest at one-half of one percent over the prime rate; (2) a revolving line of credit facility in the maximum principal amount of $5,000,000 (of which $3,000,000 was drawn as of January 31, 1992); and (3) a facility for the issuance of letters of credit.

Debt agreements contain, among other things, restrictions on the payment of dividends, and require the maintenance of certain financial covenants.

6. On January 31, 1991, the Company entered into a contract for the sale of a subsidiary which was included in the Cable Television & Utility Services segment. The Company recorded losses (net of estimated income tax benefit) related to the subsidiary sold of $4.5 million ($.47 per share) for the quarter ended January 31, 1991 (third quarter of fiscal year 1991). Revenues of the subsidiary sold approximated $2.2 million and $11.1 million for the three and nine-month periods ended January 31, 1991, respectively, and pretax losses related to the subsidiary sold of $7.4 million are included in other costs and expenses for such periods.

7. On February 24, 1992, the Company announced it had agreed to purchase 833,101 shares of common stock of Dycom Industries, Inc. ("Dycom") from certain Dycom shareholders and operating executives. These shares represent approximately 9.9% of the outstanding common shares of Dycom. Burnup & Sims also agreed to purchase the interests of certain of the selling shareholders in a contingent earnout forthcoming to them by Dycom. The Company's agreement to purchase the Dycom shares and other assets is for a combination of cash, real property, and certain debt instruments and is contingent upon satisfaction of various conditions. Burnup & Sims has additionally agreed to sell certain non-operating real estate to certain selling shareholders who have agreed to collateralize the purchase of the real estate with additional Dycom shares. Burnup & Sims announced its intent to conclude a transaction that will bring about the merger of the Company and Dycom or effect a transaction which will have the same result.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
JANUARY 31, 1992

RESULTS OF OPERATIONS
Three Months Ended January 31, 1992 vs. Three Months Ended January 31, 1991 (Third Quarter of Fiscal Year)

Revenues for the quarter ended January 31, 1992 decreased approximately $5.4 million, or 14%, when compared to the same quarter in the prior fiscal year. This decline is attributed to a $3.1 million reduction in sales of Cable Television and Utility Services subsidiaries due both to the inclusion in last year's results of a cable television subsidiary sold in January 1991 and reduced revenues from electric utility customers. Revenues of Telephone Services subsidiaries also declined 8% due to reduced spending by large utility customers and the loss of several contracts due to competitive pressures.

Results for the quarter ended January 31, 1991 include pretax losses of approximately $7.4 million related to a subsidiary sold January 31, 1991, which is included in other costs and expenses. (See Note 6 to the Condensed Consolidated Financial Statements.) Excluding the effect of the sale, income before equity in net income of NBC for the third quarter of fiscal year 1992 decreased due to reduced profitability related to the volume decline as well as a reduction in interest income of approximately $.7 million resulting from the Exchange. This decrease was partially offset by a decrease in general and administrative costs, due primarily to reductions in certain personnel costs, as well as a decline in interest expense due principally to lower costs of funds combined with a reduction in debt. Decreased depreciation and amortization expense reflects reduced capital expenditure spending as well as the elimination of depreciation and amortization related to the subsidiary sold January 31, 1991.

The credit for income taxes approximates 42% and 41% of pretax income for the three months ended January 31, 1992 and 1991, respectively. Last year's results include a tax benefit of approximately $2.9 million related to the subsidiary sold.

Net income for the three-month period ended January 31, 1991 includes equity in net loss of NBC of approximately $.9 million, or $.09 per share. The Company has not recorded equity in net income of NBC subsequent to February 1991. (See Note 2 to the Condensed Consolidated Financial Statements.)

Average shares outstanding declined to 8,768,000 from 9,666,000 resulting from certain transactions with NBC. (See Notes 2 and 3 to the Condensed Consolidated Financial Statements.)

Operations of the Company are somewhat seasonal, and this has historically resulted in reduced net income during the third quarter (November, December and January) relative to other quarters. During winter months, inclement weather in certain areas reduces the volume and efficiency of outside service activities. Additionally, certain Telephone Services customers may reduce expenditures for plant construction and maintenance during the latter part of their budgetary year, which typically ends in December.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION JANUARY 31, 1992 (CONTINUED)

Nine Months Ended January 31, 1992 vs. Nine Months Ended January 31, 1991

Consolidated revenues declined approximately $20.0 million, or 15%, for the first nine months of the current fiscal year when compared to the prior year. Economic pressures resulting in less work available for the Company's telecommunications businesses caused an 8% decline in revenues of Telephone Services subsidiaries for the nine-month period ended January 31, 1992. Additionally, Cable Television and Utility Services revenues declined approximately $12.2 million due to the subsidiary sold in January 1991, decreased sales of CATV power supplies, and less revenues from electric utility services customers.

Costs of revenues approximated 86% of revenues for both nine-month periods presented. General and administrative expenses decreased due primarily to reductions in certain personnel costs. Depreciation and amortization, interest expense and interest income declined due to the reasons set forth above.

Results for the nine months ended January 31, 1992 include a $1.1 million pretax gain from the repurchase of debentures to meet sinking fund requirements. (See Note 5 to the Condensed Consolidated Financial Statements.) Results for the nine months ended January 31, 1991 include a pretax gain of $.9 million from the repurchase of debentures as well as equity in net income of NBC of approximately $1.0 million, or $.10 per share.

Additionally, last year's financial results include losses related to a subsidiary sold, as further discussed above. (See Note 6 to the Condensed Consolidated Financial Statements.)

FINANCIAL CONDITION
LIQUIDITY AND CAPITAL RESOURCES
January 31, 1992 vs. April 30, 1991

On August 2, 1991, the Company entered into an agreement with a lending institution to refinance certain outstanding debt and to provide a revolving line of credit. (See Note 5 to the Condensed Consolidated Financial Statements.) The January 31, 1992 balance sheet reflects a decrease in current maturities of debt and an increase in long-term debt resulting from the refinancing and borrowings of $3 million under the revolving line of credit. The Company's current ratio increased to 2.1 to 1 at January 31, 1992 from 1.7 to 1 at April 30, 1991. Working capital increased to $24.0 million at January 31, 1992 from $21.1 million at April 30, 1991. The decrease in convertible subordinated debentures reflects the repurchase made in order to satisfy sinking fund requirements.

FINANCIAL CONDITION
LIQUIDITY AND CAPITAL RESOURCES
January 31, 1992 vs. April 30, 1991 (CONTINUED)

Cash of approximately $2.0 million was provided by operating activities primarily due to working capital changes net of income tax payments. The cash decrease of approximately $.9 million during the nine-month period ended January 31, 1992 is primarily attributed to debt reduction net of additional borrowings and capital expenditures. Capital expenditures for the remainder of the fiscal year are expected to remain consistent with the first nine months of the year.

Cash from operations and borrowings under the Company's revolving line of credit ($2 million available at January 31, 1992) are expected to fund the Company's working capital needs and debt service requirements for the remainder of the fiscal year.

On February 24, 1992, the Company announced it had agreed to purchase 833,101 shares of common stock of Dycom Industries, Inc. ("Dycom") from certain Dycom shareholders and operating executives. These shares represent approximately 9.9% of the outstanding common shares of Dycom. Burnup & Sims also agreed to purchase the interests of certain of the selling shareholders in a contingent earnout forthcoming to them by Dycom. (See Note 7 to Condensed Consolidated Financial Statements.)

PART II - OTHER INFORMATION
JANUARY 31, 1992

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

19. Master Agreement dated as of February 21, 1992 by and among the Selling Persons and the Company, filed on February 28, 1992 as Exhibit "A" to the Company's Schedule 13D, relating to the Common Stock of Dycom Industries, Inc., incorporated by reference.

19.1. First Amendment to Master Agreement dated as of March 9, 1992 by and among the Selling Persons and the Company filed on March 11, 1992 as Exhibit "A" to the Company's Amendment No. 1 to Schedule 13D, relating to the Common Stock of Dycom Industries, Inc., incorporated by reference.

(b) Reports on Form 8-K

Not Applicable

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Burnup & Sims Inc. (Delaware)
Registrant

Date: March 13, 1992

George R. Bracken
Vice President & Treasurer
(Principal Financial Officer)
and
Authorized Officer of the Registrant

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

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MAY 1992

FORM 10-Q 92-2253

Microfilmed by
Data Corp. St. Petersburg, FL

For the quarter ended
March 31, 1992

Commiss[illegible]
0-13519

CROP GENETICS INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

L3Q

Delaware
(State or other jurisdiction of
incorporation or organization)

22-2380817
(I.R.S. Employer
Identification No.)

7170 Standard Drive, Hanover, Maryland 21076
(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code)
(410) 712-7170

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No __

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.10 par value (Title of Class)	$0.95 Convertible Exchangeable Preferred Stock (Title of Class)

As of May 14, 1992 registrant had outstanding 5,386,008 shares of Common Stock and 2,695,300 shares of $0.95 Convertible Exchangeable Preferred Stock.

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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CROP GENETICS INTERNATIONAL CORPORATION
BALANCE SHEETS

ASSETS	March 31, 1992 (unaudited)	December 31, 1991
Current Assets		
Cash and equivalents	$15,181,400	$11,355,500
Short-term investments	3,093,300	8,023,100
Accounts receivable	75,100	210,400
Deferred growing costs	681,000	520,600
Other current assets	297,800	427,800
Total current assets	19,328,600	20,537,400
Facilities and Equipment,at cost		
Equipment	3,496,600	3,483,800
Leasehold improvements	2,161,000	2,156,600
Land and improvements	1,136,200	1,136,200
	6,793,800	6,776,600
Less: Accumulated Depreciation and Amortization	(4,433,400)	(4,245,800)
Facilities and Equipment,net	2,360,400	2,530,800
Total	$21,689,000	$23,068,200

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 1992 (unaudited)	December 31, 1991
Current Liabilities		
Accounts payable	$245,000	$264,200
Accrued compensation	219,700	187,600
Deferred revenue	562,500	
Total current liabilities	1,027,200	451,800
Redeemable Convertible Preferred Stock; $.10 par value, 5,000,000 shares authorized, shares issued and outstanding at March 31,1992 – 2,695,300	26,953,000	27,000,000
Common Stock; $.10 par value, 20,000,000 shares authorized, shares issued and outstanding at March 31,1992 – 5,386,008	538,600	527,600
Additional Paid-in Capital	30,277,200	30,542,900
Accumulated Deficit	(37,107,000)	(35,454,100)
Total	$21,689,000	$23,068,200

ee notes to financial statements.

CROP GENETICS INTERNATIONAL CORPORATION
STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED March 31,	
	1992	1991
	(unaudited)	
REVENUES		
Research revenue	$437,500	$100,000
Investment income	162,700	501,200
Other	20,200	600
Total revenues	620,400	601,800
COSTS AND EXPENSES		
Field management	117,100	95,800
Research and development	1,653,500	1,534,100
General and administrative	464,000	417,600
Acquired technology	38,700	
Total costs and expenses	2,273,300	2,047,500
NET LOSS	(1,652,900)	(1,445,700)
PREFERRED STOCK DIVIDENDS	640,100	641,300
NET LOSS APPLICABLE TO COMMON SHARES	($2,293,000)	($2,087,000)
NET LOSS PER COMMON SHARE	($0.43)	($0.45)
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	5,363,128	4,685,497

See notes to financial statements.

CROP GENETICS INTERNATIONAL CORPORATION
STATEMENTS OF ACCUMULATED DEFICIT

	THREE MONTHS ENDED March 31,	
	1992	1991
	(unaudited)	
NET LOSS	($1,652,900)	($1,445,700)
ACCUMULATED DEFICIT		
Beginning of period	(35,454,100)	(27,068,600)
End of period	($37,107,000)	($28,514,300)

See notes to financial statements.

CROP GENETICS INTERNATIONAL CORPORATION
STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED March 31,	
	1992	1991
	(unaudited)	
Cash Flows From Operating Activities		
Net loss	($1,652,900)	($1,445,700)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	206,400	274,300
Write off of acquired technology,net of cash	19,500	
(Gain) loss on disposal of assets	(4,000)	1,300
Changes in assets and liabilities:		
Accounts receivable	135,300	116,300
Deferred growing costs	(160,400)	(112,100)
Other current assets	130,000	131,200
Accounts payable	(19,200)	109,500
Accrued compensation	32,100	88,900
Deferred revenue	562,500	
Net cash used by operating activities	(750,700)	(836,300)
Cash Flows From Investing Activities		
Changes in short-term investments		
Purchases	(16,600)	(2,213,900)
Proceeds from sales	4,946,400	4,618,200
Capital expenditures for:		
Facilities and equipment	(41,100)	(96,500)
Proceeds from sale of assets	9,100	16,500
Net cash provided by investing activities	4,897,800	2,324,300
Cash Flows From Financing Activities		
Exercise of stock options and warrants	318,900	
Dividends paid	(640,100)	(641,300)
Net cash used by financing activities	(321,200)	(641,300)
Net Increase in Cash and Equivalents	3,825,900	846,700
Cash and Equivalents		
Beginning of period	11,355,500	9,649,500
End of period	$15,181,400	$10,496,200

See notes to financial statements.

CROP GENETICS INTERNATIONAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 1992
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting only of normal recurring entries) necessary to present fairly the Company's financial position as of March 31, 1992 and the results of its operations and cash flows for the three months then ended. The results for these interim periods are not necessarily indicative of the results to be expected for the full fiscal year.

Cash Equivalents and Short-term Investments

For purposes of the statements of cash flows, the Company considers money market funds and units of a mutual fund which invests in short-term U.S. Treasury securities to be cash equivalents. Short-term investments, which consist principally of U.S. Treasury securities, are carried at the lower of cost or market.

Deferred Growing Costs

Deferred growing costs represent the accumulated cost of producing plantlets and growing Kleentek seedcane. Plantlet production costs are stated at average cost. Seedcane growing costs, consisting of direct labor, supplies and land rental costs, are assigned to specific seedfarms. Growing costs associated with Kleentek seedcane are expensed and revenue is recognized as the product is delivered to customers. Growing costs which are estimated to be in excess of anticipated realizable value are expensed currently.

Facilities and Equipment

Facilities and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful life of the asset -- generally 3 to 9 years. The cost of improvements to bring the Company's leased seedfarms and research farm land into a suitable condition for farming is capitalized and amortized using the straight-line method over an estimated useful life of six years. The Company uses accelerated methods for income tax purposes.

Research and Development

The Company recognizes research revenue in accordance with the terms of the individual collaborative contracts. Generally, revenue is recognized ratably during the period in which the Company performs related research. Revenue recognized in the accompanying statements of operations is not subject to repayment. Research payments received in excess of ratable amounts recognized as revenue are recorded as deferred revenue.

The Company's research expenditures have been devoted principally to the development of InStar, InCide, X-tend and Kleentek technologies. All research and development costs are expensed as incurred.

Field Management

Field management includes the salary and other costs associated with personnel who supervise production, maintain quality control and market Kleentek products to customers.

Net Loss Per Common Share

Net loss per share is computed using the weighted average number of shares outstanding during the period. Shares issuable upon the exercise of stock options or warrants or conversion of Preferred Stock have been excluded from the computation because their inclusion would be antidilutive.

Patents

It is the Company's practice to seek patent protection on processes and products in various countries. Patent application costs are expensed as incurred.

Income Taxes

Investment tax credits and research and experimentation tax credits will be recognized as a reduction of the provision for Federal income taxes when realized. As a result of certain stock transactions in 1991, the Company experienced an ownership change as defined in Section 382 of the Internal Revenue Code. Accordingly, the Company's ability to utilize its tax loss carryforwards and tax credits is subject to certain limitations.

Other

In February 1992 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," which is required to adopt no later than the year ending December 31, 1993. SFAS No. 109 requires the computation of deferred income taxes on a liability approach rather than the deferred method previously required under Accounting Principles Board Opinion No. 11. Because the Company has substantial operating loss carryforwards, no significant impact on the financial statements is expected from the adoption of this standard.

In 1991, FASB issued SFAS No. 106, "Employers' Accounting for Post-Retirement Benefits Other than Pension," which requires the cost of post-retirement benefits, other than pension benefits, to be recognized on an accrual basis. The Company does not provide employee benefits covered by SFAS No. 106. Accordingly, SFAS No. 106 will not have an effect on the Company's financial position or results of operations.

Inflation and changing prices are not expected to have a material effect on the Company's operations.

PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company is engaged in the discovery, development and commercialization of novel crop protection systems which substitute biopesticides for synthetic chemicals. The Company's strategy is to develop a series of diverse biopesticide systems which provide environmentally compatible and effective pest control and which are cost competitive with synthetic chemicals. The Company's systems are being designed to replace or substantially reduce the use of synthetic chemical pesticides and therefore avoid the adverse environmental impacts caused by their widespread use.

The Company's primary activity is the development of environmentally safe crop protection systems through the application of its InStar, InCide and X-tend technologies. To date, no product sales related to these technologies have occurred. Any products developed from these technologies, alone or through alliances with corporate partners, are not likely to generate significant revenue for at least several years. The Company has sustained losses from operations in each year since inception principally as a result of research expenditures for these technologies. The Company expects that losses will continue for the foreseeable future as it continues to expend additional sums on the development of these technologies.

All of the Company's product sales to date relate to the sale and delivery of "disease free" seedcane in Louisiana by the Kleentek Division. Although the Company's scientists continue to conduct limited Kleentek research, the Company does not expect any significant expansion of Kleentek operations.

During 1991, the Company entered into an agreement (the "Alliance Agreement") with E.I. DuPont de Nemours & Co. ("DuPont") to develop insecticidal virus products ("IVPs")on a worldwide basis. Under the terms of the Alliance Agreement, DuPont has committed to pay $1,750,000 to the Company during 1992. If DuPont elects to continue the Alliance Agreement during 1993, DuPont has agreed to pay the Company an additional $2,000,000. It is expected that IVPs will be produced by the Company and sold by DuPont under a series of sale and supply agreements to be negotiated between the companies as and when IVPs are developed.

THREE MONTHS ENDED MARCH 31, 1992 COMPARED TO THREE MONTHS ENDED MARCH 31, 1991

Research Revenue

During the first quarter of 1992, the Company recognized as research revenue twenty-five percent of the $1,750,000 to be received from DuPont during 1992. The balance to be received in 1992 will be recorded as research revenue ratably over the remainder of the year. Research revenue in the first quarter of 1991 arose from a one time payment from a major international herbicide manufacturer which had entered into an agreement to evaluate the Company's X-tend technology. The evaluation agreement terminated in 1991.

Investment Income

The Company's cash resources are generally invested in short-term U.S. Government securities, and the Company has no intention of changing this policy. Investment income fluctuates based upon the Company's average balance of cash resources and the average rate of return for these investments. Investment income declined in the first quarter of 1992 as compared to the first quarter of 1991 principally as a result of a significant decline in interest rates and to a lesser extent due to a reduction in amounts available for investment.

Research and Development

The Company's principal research and development expense is the direct and indirect costs of scientific personnel. Fluctuations in research and development expenses between fiscal quarters are generally attributable to levels of employment for scientific personnel. The Company employs and assigns scientific personnel to specific research and product development tasks based upon the degree of scientific knowledge required and the relative priority of the task. The level of staffing required for product research and development has varied in the past, and can be expected to vary in the future, depending upon a number of factors, including the stage of product development, complexity of the task and the amount of development being performed by alliance partners.

Research and development expenses increased $119,400 or 8% to $1,653,500 in the first quarter of 1992 due to salary increases for scientific personnel and the employment of additional scientists and technicians.

General and Administrative

General and administrative expenses increased $46,400 to $464,000 in the first quarter of 1992 due to salary increases for administrative personnel.

Acquired Technology

In 1991, the Company acquired a research company and expensed the portion of the acquisition price attributed to acquired technology. During the first quarter of 1992, the Company acquired certain rights from a university related to the same technology and expensed the $38,700 acquisition price.

Net Loss Applicable to Common Shares

The Company reported a net loss of $1,652,900 in the first quarter of 1992 and $1,445,700 in the same quarter of 1991. During these quarters of 1992 and 1991, the Company paid Preferred Stock Dividends of $640,100 and $641,300, respectively. The reduction in dividends was due to the conversion of 4,700 shares of Preferred Stock during the first quarter of 1992. Therefore, the net loss applicable to common shares was $2,293,000 in the first quarter of 1992 and $2,087,000 in the first quarter of 1991.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1992 the Company had cash and equivalents and short-term investments of $18,274,700. The decrease of $1,103,900 in cash and equivalents and short-term investments from December 31, 1991 results principally from the Company's net loss and the payment of dividends on the Redeemable Convertible Preferred Stock.

Since its inception in 1981, the Company has funded operations, acquired capital assets and paid dividends from the proceeds of sales of equity securities, interest on investment funds, research revenue and Kleentek product sales. The Company does not have any revolving lines of credit or other loan agreements.

Capital expenditures for facilities and equipment were $41,100 in the first quarter of 1992 and $96,500 in the corresponding quarter of 1991. Management expects capital expenditures of $1,750,000 in 1992, primarily for development of manufacturing and other facilities for the IVP technology. Additional capital expenditures could be incurred depending upon various factors, including availability of funding and product development activities. The Company intends to continue to pay annual dividends of $2,560,000 on the Redeemable Convertible Preferred Stock.

The Company believes that its existing cash and equivalents, short-term investments and anticipated revenues will be sufficient to meet its liquidity and capital requirements at least through the end of 1993. However, these funds will not be sufficient to meet the Company's longer term cash requirements for the commercialization of its technologies currently under development. The Company intends to issue equity securities and enter into other financing arrangements, including additional relationships with corporate partners, to meet its additional liquidity and capital requirements.

On April 9, 1992 the Company filed a registration statement with the Securities and Exchange Commission covering a proposed public offering of 3,500,000 shares of its Common Stock, all of which are being offered by the Company. The registration statement has not yet become effective. There can be no assurance that the Company will be successful in raising sufficient additional capital from this proposed public offering or from other sources.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not a party to any material litigation and knows of no material litigation pending, threatened or contemplated, to which the Company is or may become a party.

ITEM 2. CHANGES IN SECURITIES

Not Applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable. There were no defaults on senior securities.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Shareholders of the Company was held on March 11, 1992. Proxies were solicited by the Company pursuant to Regulation 14 under this Act. Eight incumbent directors and one new director, James H. Davis, Vice President of Research and Development proposed by the Company were elected. In addition an amendment to the Company's Charter to increase the number of authorized shares of Common Stock from 10,000,000 to 20,000,000 was approved by the common shareholders with 4,125,307 shares voting for and 576,755 opposed.

ITEM 5. OTHER INFORMATION

On April 9, 1992 the Company filed a Registration Statement with the Securities and Exchange Commission covering the proposed public offering of 3,500,000 shares of its Common Stock, all of which are being offered by the Company. The Registration Statement has not yet become effective.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) No exhibits are required to be filed with this Form 10-Q.

(B) Form 8-K was filed on January 6, 1992, reporting the Alliance Agreement by and between E.I. DuPont de Nemours and Company and the Company.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CROP GENETICS INTERNATIONAL CORPORATION

(Registrant)

Date: May 14, 1992

By: Joseph W Kelly

Joseph W. Kelly
Chief Executive Officer
Chief Financial Officer
(Principal Financial and
Accounting Officer)

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

Quarterly Report pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

D
92-2253

For Quarter ended March 31, 1992
Commission file number: 33-301050-B

DATAIMAGE, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	06-1184427
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer I.D. Number)
628 Hebron Avenue, Glastonbury, CT	06033
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: (203)659-3980

Securities Registered Pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
NONE	NONE

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Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

(Title of Class)

Indicate whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period than the registrant was required to file such report) and (2) has been subject to such filing requirements for the past 90 days. X Yes ___ No

As of the close of the period covered by this report there were outstanding 2,273,464 shares of the registrant's common stock, $0.01 par value per share.

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DATAIMAGE, INC.

FORM 10-Q INDEX

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Number

PART I. FINANCIAL INFORMATION

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DATAIMAGE, INC.
CONDENSED BALANCE SHEETS
As of March 31, 1992 (unaudited) and December 31, 1991

	March 31, 1992 (unaudited)	December 31, 1991
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,882,881	$ 717,537
Accounts receivable (less allowance for doubtful accounts of $40,000 as of March 31, 1992 and December 31, 1991)	571,884	579,343
Inventories	476,012	468,660
Prepaid expenses and other assets	47,750	29,403
Current portion of note receivable and related interest (less allowance for doubtful account of $43,733 as of March 31, 1992 and December 31, 1991)		
Total current assets	3,978,527	1,794,943
Property and equipment - net	415,816	337,951
Note receivable (less allowance for doubtful account of $40,000 as of March 31, 1992 and December 31, 1991)		
Capitalized software - net	166,741	166,585
Total assets	$ 4,561,084	$ 2,299,479
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 163,740	$ 105,633
Other liabilities	48,261	75,110
Customer deposits	42,505	73,399
Current portion of capital leases	11,901	13,465
Deferred revenue	323,276	207,726
Total current liabilities	589,683	475,333
Capital leases	1,656	3,315
Total liabilities	591,339	478,648
Stockholders' equity:		
Common stock - $.01 par value; authorized 10,000,000 shares; issued and outstanding, 2,273,464 and 1,834,297 shares as of March 31, 1992 and December 31, 1991, respectively	22,735	18,343
Common stock options and warrants	14,286	29,134
Additional paid-in capital	6,187,264	3,759,049
Accumulated deficit	(2,254,540)	(1,985,695)
Total stockholders' equity	3,969,745	1,820,831
Total liabilities and stockholders' equity	$ 4,561,084	$ 2,299,479

See notes to condensed financial statements.

DATAIMAGE, INC.
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

For the Three Months ended March 31, 1992 and 1991

	Three Months ended March 31, 1992	Three Months ended March 31, 1991
Revenues:		
Sales	$ 341,215	$ 741,644
Service	201,212	142,884
Total revenues	542,427	884,528
Costs and expenses:		
Cost of sales	380,988	396,313
Cost of service	131,476	128,555
Research and development	20,960	4,602
Selling, general and administrative	274,442	294,411
Depreciation and amortization	6,739	23,276
Total costs and expenses	814,605	847,157
Operating income (loss)	(272,178)	37,371
Other income, net	7,948	11,408
Income (loss) before taxes	(264,230)	48,779
Provision for income taxes	4,613	6,775
Net income (loss)	$ (268,843)	$ 42,004
Net income (loss) per common and common equivalent share	$ (.14)	$ .02
Weighted average common and common equivalent shares outstanding	1,914,065	1,707,498

See notes to condensed financial statements.

DATAIMAGE, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)
For the Three Months ended March 31, 1992 and 1991

	1992	1991
Cash flows from (used in) operating activities:		
Net income (loss)	$ (268,843)	$ 42,004
Adjustments to reconcile net income (loss) to net cash from (used in) operating activities:		
Depreciation and amortization	41,065	41,703
Compensation expense for stock issued	39,000	
Changes in operating assets and liabilities:		
Accounts receivable	7,459	233,751
Inventories	(7,352)	15,267
Prepaid expenses and other assets	(18,347)	5,348
Accounts payable	58,107	(67,682)
Customer deposits	(26,849)	(30,976)
Deferred revenue	(30,895)	171,328
Other liabilities	115,550	(34,896)
Net cash from (used in) operating activities	(91,105)	375,847
Cash flows from (used in) investing activities:		
Payments for capitalized software costs	(20,000)	
Purchases of property and equipment	(99,086)	
Net cash from (used in) investing activities	(119,086)	
Cash flows from (used in) financing activities:		
Principal payments on capital leases	(3,223)	(2,874)
Proceeds from Common Stock and Warrant Purchase Agreement	2,355,758	
Proceeds from issuance of common stock	33,000	
Net cash from (used in) financing activities	2,375,535	(2,874)
Net increase in cash and cash equivalents	2,165,344	372,973
Cash and cash equivalents, beginning of period	717,537	525,047
Cash and cash equivalents, end of period	$2,882,881	$ 898,020
Supplementary Cash Flow Information:		
Interest paid	$ 451	$ 800
Taxes paid	4,613	6,775

See notes to condensed financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

DataImage, Inc. (the "Company") provides software products and systems for the electronic management of information. The Company develops and markets standardized products for the mass storage and retrieval of information. Also, as a systems integrator, the Company designs, assembles, installs and maintains image-processing systems. The Company's system sales are primarily made to financial and large corporations.

Financial information with regard to the three months ended March 31, 1992 and 1991 is unaudited but in the opinion of management contains all adjustments which are of a normal, recurring nature and necessary to present fairly the Company's results of operations and cash flows. Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted in the financial information for the three months ended March 31, 1992 and 1991 pursuant to SEC rules and regulations. Management believes that the disclosures which have been made are adequate to make the information not misleading.

The results of operations for the three months ended March 31, 1992 and 1991 are not necessarily indicative of the results to be expected for the full year.

Inventories

Inventories are valued at the lower of cost of market. Cost has been determined by the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets, which are five years for furniture and fixtures, and seven years for machinery and equipment. The Company has leased certain equipment and automobiles under noncancellable leases. These capital leases are recorded as assets at the present value of future minimum lease payments. The Company depreciates the leased assets over the lesser of the economic useful life of the asset or the lease term.

Capitalized Software

The Company has capitalized certain software development costs in accordance with Statement of Financial Accounting Standards No. 86. Amortization of such costs is provided over the expected life of the related product, generally three years, commencing upon the date that the related product is available for general release.

Revenue Recognition

Revenue on sales of the Company's image processing systems is recognized at the date of shipment of hardware and related software provided that any work to complete installation of the system is routine in nature and costs are insignificant. Prior to delivery, the systems are assembled and tested. Where installation is significant to the completion of the contract, revenue is recognized when the installation is completed and accepted by the customers.

Software incorporated with the systems is licensed under a perpetual, nonexclusive, nontransferable license, and the related revenue is recognized concurrent with recognition of revenue on the hardware. Service contract revenue is recorded ratably over the term of the contract.

Provision For Income Taxes

The Company has provided for state income taxes based solely on its capital base. The Company has not provided for federal income taxes due to the availability of federal net operating loss carryforwards.

Net Income (Loss) Per Share

Net income (loss) per share is computed using the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares consist of stock options and warrants.

Statement of Cash Flows

For purposes of the statements of cash flows, all highly liquid investments which have a maturity of ninety days or less are considered cash equivalents.

Reclassification

Certain 1991 amounts have been reclassified to conform to the 1992 presentation.

2. INVENTORIES

Inventories at March 31, 1992 and December 31, 1991 consist of the following:

	March 31, 1992	December 31, 1991
Purchase components and parts	$ 439,553	$368,690
Assembled hardware, software and related charges		59,291
Inventory on loan	36,459	40,679
	$476,012	$468,660

3. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 1992 and December 31, 1991 consists of the following:

	March 31, 1992	December 31, 1991
Machinery and equipment	$541,423	$441,391
Furniture and fixtures	127,410	127,410
Total	668,833	568,801
Less accumulated depreciation	(253,017)	(230,850)
Property and equipment - net	$415,816	$337,951

As of March 31, 1992 capital leases for automobiles included in machinery and equipment are as follows:

Cost	$46,330
Less accumulated depreciation	(34,851)
Net	$11,479

The Company leases its corporate offices under two noncancellable operating leases which expire in May 1992, have renewal options, and generally provide for escalation of the annual rental amount. Prior to December 31, 1991, the Company entered into lease negotiations for new corporate offices and signed a new lease on January 21, 1992, which includes an initial lease term of sixty-four months and two five year renewal options. Relocation expenses are not expected to be material.

Future minimum payments required under noncancellable operating leases as of December 31, 1991, including payments related to the corporate office lease signed on January 21, 1992, are as follows:

Year Ending December 31,	
1992	$ 57,657
1993	149,361
1994	148,347
1995	148,348
1996	148,347
Thereafter	123,623
Total	$775,683

4. STOCKHOLDERS' EQUITY

Common Stock and Warrant Purchase Agreement

On March 17, 1992, the Company entered into a Common Stock and Warrant Purchase Agreement (the "Agreement") with an investment group (the "Investors"). The Agreement included the purchase of 416,667 units at a price of $6.00 per unit. Each unit consists of one share of the Company's common stock plus a warrant to purchase .66 of a share of the Company's common stock, for an aggregate of 416,667 shares of common stock and warrants to purchase 275,000 shares of common stock at $.01 per share. Net proceeds received by the Company were approximately $2.35 million after deducting expenses of approximately $150,000.

As a result of this transaction, the Investors proportion of the issued and outstanding common stock of the Company was approximately 18.3% as of March 17, 1992. If the warrants to purchase 275,000 shares of common stock had been immediately exercised, the Investors proportion of the issued and outstanding common stock of the Company would have been 27.1% as of March 17, 1992. The shares, and warrants once exercised, are restricted securities and may not be transferred without registration or an exemption from registration.

In addition, the Agreement provides for the purchase of additional units under identical terms and conditions. During the period from September 17, 1992 through September 16, 1993, the Company may call for a purchase of units totaling $750,000 on two separate occasions, for a total of $1.5 million. If the Company does not call for any additional purchase, or calls only one purchase of $750,000, the Investors have the right, but not the obligation, to purchase units totaling $750,000 on any one occasion during the period from September 17, 1993 through December 16, 1993.

Common Stock and Additional Paid-In Capital

On July 6, 1989 the Board of Directors approved a one-for-two reverse stock split retroactive for shareholders of record as of June 30, 1989.

Stock Options and Warrants

On March 17, 1992, the Company entered into a Common Stock and Warrant Purchase Agreement with an investment group as described above. The Purchase Agreement includes warrants to purchase 275,000 shares of common stock at $.01 per share. The warrants are effective six months following the closing and are valid for five years, expiring on September 17, 1992.

In April 1988, the Board of Directors authorized an employee incentive stock option plan ("1988 Plan") which was approved by shareholders in July 1988. The 1988 Plan provides that options to purchase shares may be issued solely at the discretion of Management. The exercise price is determined by the Board of Directors but shall not be less than the fair value of the Company's stock at the date of grant. A maximum of 100,000 shares are reserved for issuance under the 1988 Plan. The Company may purchase the options held by a terminated employee at 10% of the exercise price at which it was granted. The options expire five years from the date of grant.

In July 1988, the Board of Directors authorized a stock option plan ("First Stock Plan") which was approved by shareholders in July 1989. The plan included certain options granted to directors, employees and consultants prior to the formation of the plan permitting the purchase of 117,875 shares of common stock at prices ranging from $.76 to $4.00. The options expire five years from the date of grant.

The Board of Directors may decide to terminate options granted under either the 1988 Plan or the First Stock Plan upon a liquidation, dissolution, merger, consolidation, or reorganization of the Company.

During 1986, the Board of Directors authorized the issuance of 115,938 warrants to purchase shares of the Company's common stock which expire five years from the date of grant. The conversion price was determined by the Board of Directors.

Information regarding stock options and warrants outstanding and exercisable as of March 31, 1992 is as follows:

	Common Stock and Warrant Purchase Agreement		1988 Plan		First Stock Plan		Warrants	
	Number of Shares	Price at Which Exercisable	Number of Shares	Price at Which Exercisable	Number of Shares	Price at Which Exercisable	Number of Shares	Price at Which Exercisable
Balances, January 1, 1989			1,250	($4.00)	116,975	($.76 - $4.00)	115,938	($.02 - $1.14)
Granted			2,000	($4.00)	1,000	($4.00)		
Converted			—		(100)	($4.00)	(2,188)	($.02)
Balances, December 31, 1989			3,250		117,875		113,750	
Granted			500	($4.00)				
Converted			—		(17,500)	($.76)	(88,000)	($1.14)
Balances, December 31, 1990			3,750		100,375		25,750	
Granted			500	($4.00)				
Converted			(750)	($4.00)	(47,925)	($.76 - $4.00)	(25,750)	($1.14)
Balances, December 31, 1992			3,500		52,450		0	
Granted	275,000	($.01)						
Converted	—		—		14,500	($2.00 - $4.00)	—	
Balances, March 31, 1992	275,000		3,500		37,950		0	
Aggregate amount of common stock subject to options and warrants	316,450							

Stock Plans

During 1990, the Board of Directors authorized the Employee/Consultant Stock Bonus Plan ("Stock Bonus Plan") and the Directors Stock Compensation Plan ("Directors Plan"), both of which were approved by shareholders. The number of shares of common stock available for grant to employees and consultants under the Stock Bonus Plan can not exceed 87,500. Any shares issued may consist, in whole or in part, of authorized and unissued shares or treasury shares. The number of shares of common stock available for grant to Directors under the Directors Plan can not exceed 30,000 shares subject to limitations of 6,000 shares per year including 1,000 shares per Director per year, or 500 shares if a Director has served less than six months. In addition, the total shares granted under both the Stock Bonus Plan and the Directors Plan shall not exceed 1% of the Company's aggregate, outstanding common stock each fiscal year. As of March 31, 1992, 1,000 shares have been issued under the Stock Bonus Plan and 5,000 shares have been issued under the Directors Plan.

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the Three Months Ended March 31, 1992.

Revenue, gross profit, operating income and net income for the three months ended March 31, 1992 decreased sharply compared to the same period in 1991. Revenues were weak due to the lack of a significant backlog of orders at December 31, 1991. Backlog was not significant at March 31, 1992 and continues weak, which will negatively impact both the second quarter and the third quarter. Management is building an enhanced infrastructure as it moves the Company in a new direction to market new products including DATWriter, OARS and SUMA. Staffing increases totaled four during the three months ended March 31, 1992, an additional four have been added during the second quarter, and plans include as many as ten more employees by the end of the third quarter. Management anticipates that quarterly results will continue to suffer through at least the third quarter until this expansion contributes positive results.

In January, 1992 the Company re-established its borrowing arrangements with Fleet Bank, agreeing to a $300,000 line of credit. Also in January, 1992, the Company signed a sixty-four month lease for its new headquarters, a 17,150 square foot building in East Hartford, CT at a rental rate of $8.65 per square foot, triple net. The Company expects to move into its new space in late June or early July.

In March, 1992, the Company entered into a Common Stock and Warrant Purchase Agreement with an investment group resulting in net proceeds of $2.35 million. As a result of this transaction, the investment group's proportion of the issued and outstanding capital stock of the Company was 18.3% as of March 17, 1992. The shares, and the warrants once exercised, are restricted securities and may not be transferred without registration or an exemption from registration.

Management believes that strong markets exist for its products and systems. The infusion of $2.35 million in net additional capital in March 1992 will be used to fund the marketing and distribution of its OARS, DAT and SUMA products. Management expects that the additional capital for marketing and distribution, as well as improvement in business conditions generally, will contribute to increases in sales of the products during 1992 and beyond.

RESULTS OF OPERATIONS

The table below summarizes revenues and expenses as described in the Condensed Financial Statements for the three months ended March 31, 1992 and 1991:

	For The Three Months Ended March 31,	
	1992	1991
Total revenues	$ 542,427	$ 884,528
Cost of sales and service	512,464	524,869
Gross profit	$ 29,963	$ 359,659
Operating income (loss)	$ (272,178)	$ 37,371
Net income (loss)	$ (268,843)	$ 42,224

The Company's operating results are subject to significant quarterly fluctuations due to a combination of a fluctuating backlog, a relatively long sales cycle, the high average sales price of the Company's systems and variations in the mix of revenues.

Revenue

Total revenue of $542,427 for the three months ended March 31, 1992 decreased 39% over the comparable period in 1991. This decrease is due primarily to a minimal backlog of orders beginning 1992 as compared to a large backlog of orders beginning 1991.

Gross Profit

Gross profit decreased $329,696, or 92%, for the three months ended March 31, 1992 as compared to the three months ended March 31, 1991. This decrease is attributable to the decrease in revenue while direct costs remained essentially unchanged. Gross profit margin for the three months ended March 31, 1992 was 5.5% as compared to the gross profit margin of 40.7% for the three months ended March 31, 1991. Gross profit margin comparisons for the period ended March 31, 1992 are not meaningful due to the lack of significant revenues.

Operating Income (Loss)

Operating income for the three months ended March 31, 1992 decreased $309,549 compared to the same period in 1991 due to decreased sales.

Cost of sales remained essentially unchanged due to the cost of direct labor and overhead. Costs associated with service increased by 2.3% while revenues from service increased 40.8%. An increase in research and development expenses of $16,538 was due to continuing development of the DAT family of products. Selling, general and administrative expenses decreased $19,969 and depreciation and amortization decreased $16,537.

Net Income (Loss)

Net income for the three months ended March 31, 1992 decreased $311,067 from the same period in 1991. The difference between operating income and net income is due to other income and expense, net and state taxes.

To date, federal income taxes have not impacted the Company's net income as a result of net loss carryforwards which have offset federal income tax obligations. DataImage has state and federal net loss carryforwards amounting to $1.4 million and $1.2 million, respectively, as of December 31, 1991 which may offset future state and federal income tax obligations.

Management believes that inflation has not had a significant impact on the prices of the Company's systems, the costs of its materials or its operating results.

LIQUIDITY AND CAPITAL RESOURCES

Working capital as of March 31, 1992 was $3.39 million as compared to $1.32 million as of December 31, 1991. The increase in working capital is due primarily to the additional investment described below. Net cash from financing activities was $2,414,535. During the three months ended March 31, 1992, cash used in operating activities was $130,016 and cash used for capitalized software and the purchase of equipment was $119,086.

On March 17, 1992, the Company entered into a Common Stock and Warrant Purchase Agreement (the "Agreement") with an investment group (the "Investors"). The Agreement included the purchase of 416,667 units at a price of $6.00 per unit. Each unit consists of one share of common stock plus a warrant to purchase .66 of a share of common stock, for an aggregate of 416,667 shares of common stock and warrants to purchase 275,000 shares of common stock at $.01 per share. Net proceeds received by the Company were approximately $2.35 million after deducting expenses of approximately $150,000.

As a result of this transaction, the Investors proportion of the issued and outstanding capital stock of the Company was 18.3% as of March 17, 1992. If the warrants to purchase 275,000 shares of common stock had been immediately exercised, the Investors proportion of the issued and outstanding capital stock of the Company would have been 27.1% as of March 17, 1992. The shares, and the warrants once exercised, are restricted securities and may not be transferred without registration or an exemption from registration.

In addition, the Agreement provides for the purchase of additional units under identical terms and conditions. During the period from September 17, 1992 through September 16, 1993, the Company may call for a purchase of $750,000 on two separate occasions, for a total of $1.5 million. If the Company does not call for any additional purchase, or calls only one purchase of $750,000, then the Investors have the right, but not the obligation, to purchase $750,000 on any one occasion during the time period from September 17, 1993 through December 16, 1993.

In January, 1992 the Company re-established its borrowing arrangements with Fleet Bank, agreeing to a $300,000 line of credit which is secured by cash.

Management expects to fund the marketing of its new products and the continuing operations of the Company with its present cash balances as well as cash generated from ongoing business opportunities.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

On March 17, 1992, the Company entered into a Common Stock and Warrant Purchase Agreement (the "Agreement") with an investment group (the "Investors"). As of March 17, 1992, the Investors owned an aggregate of 416,667 shares of common stock and warrants to purchase 275,000 shares of common stock at $.01 per share. The warrants are exercisable anytime after September 17, 1992 until September 17, 1997. The Agreement provides that no cash dividends may be declared or paid by the Company from earnings or earned surplus, so long as a majority of the warrants have not been exercised and so long as the Investors continue to own at least one-third of the shares of common stock purchased pursuant to the Agreement.

Item 3. Defaults Upon Senior Securities.

(a) There has been no material default in the payment of principal, interest, a sinking or purchase fund installment, or any other material default not cured within thirty (30) days with respect to any indebtedness of the Company.

(b) There has been no material arrearage in the payment of dividends and there has been no material delinquency not cured within thirty (30) days, with respect to any class of preferred stock of the Company or with respect to any class of preferred of any significant subsidiary of the Company because there is no class of preferred stock of the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports.

The Company has had no change in accounting principles.

There have been no published reports regarding matters submitted to the vote of security holders.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DATAIMAGE, INC.

Date: May 13, 1992

By________________
Robert L. Brasher
President and Chairman of the Board

Date: May 13, 1992

By________________
Gary Gauger
Treasurer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992

Commission File Number 2-70981

Enscor Inc.
Exact name of registrant as specified in its charter

Canada
(State or other jurisdiction of incorporation)

N/A
(I.R.S. Employer Identification No.)

156 Duncan Mill Road, Unit 12, Don Mills, Ontario
(Address of principal executive offices)

M3B 3N2
(Postal Code)

Registrant's telephone number, including area code (416) 449-3535

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

The number of shares outstanding of each of the issuer's classes of common stock, as of May 1, 1992 was 16,195,287 Common Shares.

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ENSCOR INC.

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PART I

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Item 1 - Financial Statements consisting of:

1. Condensed Consolidated Statement of Earnings (Loss) 3 months ended March 31, 1992 and 1991 — 3
2. Condensed Consolidated Balance Sheet March 31, 1992 and December 31, 1991 — 4
3. Condensed Consolidated Statement of Retained Earnings (Deficit) 3 months ended March 31, 1992 and 12 months ended December 31, 1991 — 5
4. Condensed Consolidated Statement of Cash Flows 3 months ended March 31, 1992 and 1991 — 6
5. Notes to Condensed Consolidated Financial Statements — 7

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PART II

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Note on Canadian Currency

The Company maintains its books of account in Canadian dollars. In this report all dollar amounts are expressed in Canadian dollars unless otherwise noted.

On May 1, 1992, the noon buying rate in Canada, as reported by the Bank of Canada was $1.00 Canadian = $0.8412 U.S.

Enscor Inc.
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS (LOSS)
(expressed in Canadian dollars)
($,000's except per common share amounts)
(unaudited)

	3 months ended March 31, 1992	3 months ended March 31, 1991
Revenues		
Real estate	$ 6,065	$ 3,925
Interest and other income	1,519	362
	7,584	4,287
Cost of sales and expenses		
Real estate	4,966	3,028
General and administrative	1,975	1,236
Depreciation and amortization	502	69
	7,443	4,333
Earnings (loss) from operations	141	(46)
Share of income (loss) from investments	--	(384)
Gain on sale of insurance subsidiary (note 2)	50	--
Earnings (loss) before income taxes	191	(430)
Income taxes		
Current	280	1,037
Deferred (recovery)	(240)	(1,254)
	40	(217)
Net earnings (loss)	151	(213)
Less: Dividends paid on preferred shares	98	60
Net earning (loss) applicable to common shares	$ 53	$ (273)
Net earnings (loss) per common share (note 7)		
Basic	$ (0.00)	$ (0.03)
Fully diluted	$ (0.00)	$ (0.03)

(See accompanying notes)

Enscor Inc.
CONDENSED CONSOLIDATED BALANCE SHEET
(expressed in Canadian dollars)
($,000's)

	March 31 1992 (unaudited)	December 31. 1991
ASSETS		
Cash and short-term investments (note 2)	$ 10,369	$ 10,750
Amounts receivable (note 3)	7,694	9,051
Land and housing under development (note 4)	32,386	34,485
Advances to and from related companies (note 5)	622	574
Capital assets (note 6)	6,866	7,525
Investments	639	639
Other assets	348	342
	$ 58,924	$ 63,366
LIABILITIES		
Bank indebtedness	$ 909	$ 4,052
Accounts payable and accrued liabilities	3,484	4,429
Customer deposits	227	572
Mortgages, debentures and notes payable	27,118	27,070
	31,738	36,123
DEFERRED INCOME TAXES	1,595	1,835
SHAREHOLDERS' EQUITY		
Preferred shares	4,321	4,321
Common shares		
Authorized: unlimited		
Issued and outstanding: 16,195,287	21,924	21,924
Warrants	154	154
Cumulative translation adjustment	142	12
Deficit	(950)	(1,003)
	25,591	25,408
	$ 58,924	$ 63,366

(see accompanying notes)

Enscor Inc.

CONDENSED CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

(expressed in Canadian dollars)
($,000's)

	3 months ended March 31, 1992 (unaudited)	12 months ended December 31, 1991
Balance - beginning of period	$ (1,003)	$ 1,261
Net earnings (loss)	151	(1,960)
Dividends paid on preferred shares	(98)	(304)
Balance - end of period	$ (950)	$ (1,003)

(see accompanying notes)

Enscor Inc.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(expressed in Canadian dollars)
($,000's)
(unaudited)

	3 months ended March 31. 1992	1991
Operating activities		
Net earnings (loss)	$ 151	$ (213)
Add (deduct) items not involving cash:		
Depreciation and amortization	502	69
Deferred income taxes (recovery)	(240)	(1,254)
Share of loss from investments	--	384
	413	(1,014)
Changes in non-cash operating balances	(27)	17,020
Cash provided by operating activities	386	16,006
Financing activities		
Increase in mortgages, debentures and notes payable	1,037	--
Repayment of mortgages, debentures and notes payable	(989)	(21,247)
Dividends paid	(98)	(60)
Cash used by financing activities	(50)	(21,307)
Investing activities		
Acquisition and development of land and housing	(2,867)	(1,831)
Recovery of costs through sales	4,966	3,028
Sale (purchase) of capital assets	197	(9)
Cash provided by investing activities	2,296	1,188
Effect of exchange rate changes	130	--
Increase (decrease) in cash and cash equivalents	2,762	(4,113)
Cash and cash equivalents - beginning of period	6,698	5,331
Cash and cash equivalents - end of period	$ 9,460	$ 1,218
Cash and cash equivalents represented by:		
Cash and short-term investments	$ 10,369	$ 8,852
Bank indebtedness	(909)	(7,634)
	$ 9,460	$ 1,218

(see accompanying notes)

Enscor Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1992
(Tabular amounts expressed in Canadian $,000's, except per share amounts)
(unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company are prepared in accordance with accounting principles generally accepted in Canada which conform in all material respects with accounting principles generally accepted in the United States, except as indicated in note 7. The accounting policies and financial statement disclosures are in accordance with the recommendations of the Canadian Institute of Public Real Estate Companies.

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgement. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies included in the Company's annual report on Form 10-K for the year ended December 31, 1991.

2. CASH AND SHORT-TERM INVESTMENTS

The following restricted items are included in cash and short-term investments:

	March 31, 1992	December 31, 1991
Real estate cash held to secure outstanding letters of credit	$ 35	$ 185
Other	--	25
Cash and short-term investments used in Heritage General Insurance Company	--	4,720
	$ 35	$ 4,930

On February 14, 1992, the shares of Heritage were sold at a premium of $50,000 and cash in the amount of $4 million (subsequent to the payment of dividends) became available for general corporate use.

3. AMOUNTS RECEIVABLE

	March 31, 1992	December 31, 1991
Amounts receivable under agreements of purchase and sale of land	$ 2,705	$ 3,699
Mortgages receivable	2,955	3,158
Trade receivables	1,949	2,109
Loans and advances to officers and/or employees of the Company	85	85
	$ 7,694	$ 9,051

4. LAND AND HOUSING UNDER DEVELOPMENT

	March 31, 1992	December 31, 1991
Land		
Acquisition costs	$ 23,002	$ 23,805
Carrying costs	5,302	4,938
Development costs	7,971	8,080
	36,275	36,823
Housing under construction	12,306	14,313
	48,581	51,136
Provision for diminution	(16,195)	(16,651)
	$ 32,386	$ 34,485

5. RELATED PARTY TRANSACTIONS

Advances to and from related companies have no specific terms of repayment and consist of the following:

	March 31, 1992	December 31, 1991
Advances to:		
- interest bearing at prime plus 2.0%	$ 1,180	$ 1,116
- non-interest bearing	22	35
	1,202	1,151
Advances from:		
- non-interest bearing	580	577
	$ 622	$ 574

6. CAPITAL ASSETS

			March 31, 1992	December 31, 1991
	Cost	Accumulated depreciation depletion, and amortization	Net book value	Net book value
Real estate furniture and equipment	$ 1,139	$ 740	$ 399	$ 445
Hotel land	1,631	–	1,631	1,631
Hotel building and equipment	4,466	1,686	2,780	2,827
Oil and gas property and equipment	2,204	616	1,588	2,128
Goodwill	613	145	468	494
	$ 10,053	$ 3,187	$ 6,866	$ 7,525

7. NET EARNINGS (LOSS) PER COMMON SHARE

The weighted average number of shares outstanding was:

	March 31 1992	 1991
Basic	16,195,287	10,886,883
Fully diluted	19,800,914	14,552,065

In the United States, the Company's outstanding warrants and stock options are considered to be common share equivalents for the purpose of determining the primary earnings (loss) per common share but have been excluded from the determination due to their anti-dilution effect. Accordingly, primary earnings (loss) per common share is $0.00 ($(0.03) - 1991).

As well, in the United States, investments in partnerships and joint ventures would be accounted for on an equity or consolidated basis, as appropriate. The use of these methods would not result in any differences to net earnings or shareholders' equity.

8. SEGMENTED INFORMATION

The following chart summarizes the Company's operations by industry segment for the three months ended March 31, 1992 and 1991.

1992

	Real Estate	Oil & Gas	Hotel	Corporate Investments & Common	Total
Revenues	$ 6,161	$ 824	$ 427	$ 172	$ 7,584
Cost of sales and expenses	5,264	898	749	532	7,443
Earnings (loss) from operation	$ 897	$ (74)	$ (322)	$ (360)	$ 141
Total assets - March 31, 1992	$ 41,276	$ 5,354	$ 4,594	$ 7,700	$ 58,924

1991

	Real Estate	Insurance	Corporate Investments & Common	Total
Revenues	$ 3,952	$ 218	$ 117	$ 4,287
Cost of sales and expenses	3,640	71	622	4,333
Earnings (loss) from operations	$ 312	$ 147	$ (505)	$ (46)
Total assets - March 31, 1991	$ 52,342	$ 5,365	$ 9,931	$ 67,638

Item 2 - Management Discussion and Analysis of Financial Conditions and Results of Operations

FINANCIAL CONDITION

The Company's total assets declined by approximately $4.4 million from December 31, 1991. This decrease primarily reflects the receipt of amounts receivable totalling $1.4 million, and reductions of land and housing inventory of $2.1 million. The lower receivable balance results from repayments of mortgages owed to the Company by third party builders. Inventories decreased, primarily in the Barrie West development, where 32 homes were delivered in the first quarter of 1992. Capital assets also dropped by $0.7 million. Most of this decrease originates from the oil and gas segment where reserves are being drawn down.

The net cash position increased to $9.4 million, $2.8 million higher than 1991 year-end. The increase is consistent with the reductions of amounts receivable and inventories noted above. As well, sale of the shares of Heritage General Insurance Company was completed February 14, 1992, at which point all insurance funds, previously restricted, were released for general corporate use. At the date of sale, Heritage held net assets of $4 million, having previously paid dividends of $1.3 million to the Company.

The Company believes that its net cash position, together with established bank lines of $6 million (of which $5.2 million is unused at May 1, 1992), is sufficient to meet all cash commitments and forecasted demands.

RESULTS OF OPERATIONS

Three months ended March 31, 1992
versus three months ended March 31, 1991

Real Estate

The real estate division produced earnings of $0.9 million in the first quarter of 1992. Total real estate revenues of approximately $6.2 million were generated primarily by the Bayfield Glen subdivision where 32 house completions were recorded. Included in these revenues are those originating from the 64 unit non-profit housing project. Construction activity for this project commenced in August 1991, and at March 31, 1992 the project was approximately 90% complete. Substantial completion and turnover to the non-profit housing authority was achieved on April 16, 1992, on time and on budget.

Approximately $0.5 million of real estate revenues (net of joint venture participation) were generated from the Rosedale North in-fill site, where three homes were delivered in the first three months of 1992. An additional six homes are under construction at this site. All but one are currently pre-sold and due to close by July 1992.

In the same period in 1991, the Company recorded sales of $3.9 million, yielding pre-tax divisional income of $0.3 million. Fifteen single family homes were delivered, primarily in the Bayfield Glen development. The Company also completed the sale of a land block in the same subdivision, suitable for a 76 unit development and achieved the final closing of 77 suites in the Symphony Place condominium project.

A cash sale to a third party builder of 59 serviced lots in the Bayfield Glen development closed on April 7, 1992, and a sale of an additional 105 serviced lots is due to close in May. When combined with pre-sales to individual purchasers, about a dozen serviced lots remain for sale in this subdivision. As well, the Company has an agreement in principle to sell the remaining 137 lots in their current unserviced state to another builder. These sales are a continuation of the efforts, commenced in 1991, to reduce or eliminate the Company's involvement in real estate.

Oil and Gas

Current quarter oil and gas production totalled 33,763 barrels and 42,598 MCF, an increase over the prior quarter of 289% and 248% respectively. As a result of this higher production, the oil and gas segment generated revenues of approximately $0.8 million despite the lower current product prices for both oil and gas. The increase in oil and gas revenues were offset by higher operating and depreciation, depletion and amortization expenses, with resultant divisional losses of approximately $74,000. Oil and gas reserves have been reduced by $0.5 million through both property sales and depletion. Sales of additional properties are scheduled for late in 1992. Trinity Resources Ltd. merged with the Company effective August 1, 1991 and its results are consolidated from that date.

Insurance

The sale of the shares of Heritage was completed February 14, 1992 with a resultant gain of $50,000. The division was inactive in 1992, having sold its insurance contracts in 1991, and accordingly, no divisional income was recorded in 1992 to the date of sale. In the first quarter 1991, Heritage produced divisional earnings of $147,000.

Hotel

The hotel division incurred losses of $322,000 for the first quarter 1992, compared with $384,000 in 1991. Tourism and business travel continues to be adversely affected by the recessionary economy. Significant attention is being directed at this investment. New professional management is now in place, and the hotel is currently undergoing a significant renovation program. It will emerge as a renewed resort, affiliated with a major hotel chain, in June 1992.

Other

The Company earned approximately $103,000 for the first three months of 1992 from its historical biotechnology business, compared with $85,000 in the same period in 1991. The Company receives royalties, from Syntex (U.S.A.) Inc., relating to sales of the drug Cytovene equal to 0.5% of net sales in the United States, and 1% of net sales outside the United States.

PART II

ITEM 6 a. Exhibits

10.01 New Transfer Agency and Registrar Agreement between Enscor Inc. and The R-M Trust Company dated April 27, 1992 (filed herein).

11.00 Computation of per share earnings for the three months ended March 31, 1992 (filed herein).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, who also serves in the capacity of principal financial officer.

Enscor Inc.
(Registrant)

May 14, 1992
Date

"MICHELLE L. M. STROM"
Michelle L. M. Strom
Chief Financial Officer

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Exhibit on page 025

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarter ended March 31, 1992

Commission File No. 0-13991

Hallmark Healthcare Corporation

(Exact name of Registrant as specified in its charter)

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PROCESSED BY
MAY 14 1992

Delaware
(State or other jurisdiction of incorporation or organization)

63-0817574
(I.R.S. Employer Identification No.)

300 Galleria Parkway
Suite 650
Atlanta, Georgia
(Address of principal executive offices)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

L 40

30339
(Zip Code)

Registrant's telephone number including area code: (404) 933-5500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ___

The number of shares of the Registrant's Common Stock and 25% Participating Cumulative Convertible Redeemable Preferred Stock outstanding at:

May 6, 1992

$0.01 par value Class A common stock - 12,519,549
$0.01 par value Class B common stock - 1,951,491
$1.00 par value 25% Participating Cumulative Convertible Redeemable Preferred Stock - 216,416

FORM 10-Q

HALLMARK HEALTHCARE CORPORATION

Page No.

Part I - Financial Information

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HALLMARK HEALTHCARE CORPORATION

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

HALLMARK HEALTHCARE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 1992 (Unaudited)	June 30, 1991*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,327	$ 7,851
Patient accounts receivable, less allowance for doubtful accounts of $4,158 and $4,495 at March 31, 1992 and June 30, 1991, respectively	19,921	21,882
Inventories	3,988	3,758
Other current assets	3,713	5,534
Total current assets	34,949	39,025
Property and equipment:		
Land and improvements	7,931	7,828
Building and improvements	104,771	104,135
Equipment	54,261	51,078
Construction in progress	1,307	568
	168,270	163,609
Less: accumulated depreciation and amortization	(52,468)	(45,961)
	115,802	117,648
Other assets	20,376	20,277
	$ 171,127	$ 176,950

*Condensed from audited financial statements
See accompanying notes

HALLMARK HEALTHCARE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands except share data)

	March 31, 1992 (Unaudited)	June 30, 1991 *
LIABILITIES & STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	$ 9,495	$ 9,680
Accrued payroll, vacation and related taxes	3,731	4,044
Accrued restructuring costs and losses	1,583	2,745
Other accrued liabilities	7,262	7,730
Current maturities of long-term debt and capital lease obligations	4,834	4,283
Long-term debt classified as current and related accrued interest	6,727	6,237
Total current liabilities	33,632	34,719
Long-term debt and capital lease obligations	86,994	93,648
Other long-term liabilities	20,310	18,252
Deferred debt restructuring credits	36,837	41,498
Commitments and contingencies		
Redeemable preferred stock	833	672
Common stockholders' (deficit) equity:		
Common stock		
Class A, $0.01 par value, authorized 25,000,000 shares; issued and outstanding 12,484,384 and 12,390,359 shares at March 31, 1992 and June 30, 1991, respectively	125	124
Class B, $0.01 par value, authorized 2,500,000 shares; issued and outstanding 1,951,491 at March 31, 1992 and June 30, 1991	19	19
Additional paid-in capital	52,543	52,694
Retained deficit	(60,166)	(64,676)
Total common stockholders' (deficit) equity	(7,479)	(11,839)
	$ 171,127	$ 176,950

*Condensed from audited financial statements

See accompanying notes

HALLMARK HEALTHCARE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited) (In thousands except per share data)

	Quarter Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
Net patient service revenues	$ 43,140	$ 41,280	$ 124,350	$ 116,613
Other revenues	1,645	1,567	4,308	4,094
TOTAL REVENUES	44,785	42,847	128,658	120,707
Expenses:				
Salaries and benefits	19,045	17,453	55,344	51,155
Supplies	6,043	5,764	17,088	15,858
Other operating expenses	10,003	10,091	31,282	29,760
Provision for bad debts	2,631	3,272	9,087	8,181
Depreciation and amortization	2,365	2,280	7,048	6,634
Interest	1,317	2,184	4,018	6,618
TOTAL EXPENSES	41,404	41,044	123,867	118,206
Income before income taxes and extraordinary items	3,381	1,803	4,791	2,501
Provision for income taxes	1,399	756	2,134	1,250
INCOME BEFORE EXTRAORDINARY ITEMS	1,982	1,047	2,657	1,251
Extraordinary items:				
Gain on restructure of debt, net of income tax effect of $30 and $42, respectively, for the quarter and nine months ended March 31, 1992 and $552 and $593, respectively, for the quarter and nine months ended March 31, 1991	58	1,070	82	1,150
Credit resulting from utilization of net operating loss carryforward	1,197	1,085	1,771	1,395
NET INCOME	$ 3,237	$ 3,202	$ 4,510	$ 3,796
Net income	$ 3,237	$ 3,202	$ 4,510	$ 3,796
Accretion of preferred stock redemption requirement	63	59	177	163
Net income applicable to common stock	$ 3,174	$ 3,143	$ 4,333	$ 3,633
Weighted average common and common equivalent shares outstanding	17,330	15,981	17,058	15,981
Net income per common and common equivalent share				
Income before extraordinary items	$ 0.11	$ 0.07	$ 0.16	$ 0.08
Extraordinary items	0.07	0.13	0.11	0.16
Net income per common and common equivalent share	$ 0.18	$ 0.20	$ 0.27	$ 0.24

See accompanying notes

HALLMARK HEALTHCARE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Nine Months Ended March 31, 1992	Nine Months Ended March 31, 1991
Cash flows from operating activities:		
Net income	$ 4,510	$ 3,796
Adjustments to reconcile net income to net cash provided by operating activities:		
Extraordinary items:		
Gain on restructure of debt, net of income tax effect of $42 and $593, respectively, for the nine months ended March 31, 1992 and 1991	(82)	(1,150)
Credit resulting from utilization of net operating loss carryforward	(1,771)	(1,395)
Depreciation and amortization	7,048	6,634
Change in allowance for doubtful accounts	(337)	440
Change in assets and liabilities:		
Patient accounts receivable	2,298	(3,834)
Other assets	1,231	(2,456)
Accounts payable	(185)	2,444
Other liabilities	(1,397)	2,176
Net cash provided by operating activities	11,315	6,655
Cash flows from investing activities:		
Purchase of property & equipment	(4,927)	(6,539)
Net cash used in investing activities	(4,927)	(6,539)
Cash flows from financing activities:		
Principal payments on long-term debt and capital lease obligations	(6,912)	(1,000)
Net cash used in financing activities	(6,912)	(1,000)
Decrease in cash and cash equivalents	(524)	(884)
Cash and cash equivalents at beginning of period	7,851	6,866
Cash and cash equivalents at end of period	$ 7,327	$ 5,982

See accompanying notes

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FORM 10-Q

HALLMARK HEALTHCARE CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

March 31, 1992

Note 1 - Basis of Presentation

The unaudited condensed consolidated financial statements presented herein, in the opinion of management, reflect all adjustments considered necessary for a fair presentation of the results of operations and financial position for the interim periods covered by this report. All significant intercompany accounts and transactions have been eliminated in consolidation.

These financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended June 30, 1991, included in the Company's Annual Report on Form 10-K for the year ended June 30, 1991.

Hallmark Healthcare Corporation (formerly known as National Healthcare, Inc.) is a Delaware corporation. The Company began doing business under its present name during the first quarter of fiscal 1992. It received stockholder authorization to amend its certificate of incorporation and formally changed its name at the Company's 1991 annual meeting, and its certificate of incorporation was subsequently amended during the third quarter of fiscal 1992.

Note 2 - Nature of Business

The Company's business is seasonal in nature and subject to general economic conditions and other factors. Accordingly, the results of operations for the interim periods are not necessarily indicative of the results expected for the year.

Note 3 - Long-term Debt and Capital Lease Obligations

Long-term debt and capital lease obligations consisted of the following (in thousands):

	March 31, 1992	June 30, 1991
Ten-year, 10.5%, notes with monthly installments, scheduled principal payments ranging from $3,599 to $7,244 per year through fiscal 1998, final payment of $37,753 in fiscal 1999, pursuant to Amended and Restated Bank Credit Agreement dated as of January 1, 1989, as amended. Guaranteed and collateralized by stock of subsidiaries and substantially all the assets of the Company and its subsidiaries.	$ 76,786	$ 82,948
Senior Subordinated Debentures due 1999, interest at 7% per annum payable semi-annually beginning June 1, 1996, redemption required beginning on or after December 1, 1995 from and to the extent of 25% of "excess cash flow" as defined in the indenture; callable at a redemption price equal to accreted value; $9,895 face amount outstanding at March 31, 1992 and June 30, 1991, less unamortized discount of $4,521 and $4,983 at March 31, 1992 and June 30, 1991, respectively.	5,374	4,912
Senior Subordinated Notes due 1999, interest at 7% per annum payable semi-annually beginning June 30, 1991, with a payment-in-kind option through December 31, 1993; to date, the Company has issued payment-in-kind Senior Subordinated Notes with a face value of $84; total face amount of $1,277 and $1,234 at March 31, 1992 and June 30, 1991, respectively, less unamortized discount of $327 and $334 at March 31, 1992 and June 30, 1991, respectively.	950	900
Senior Subordinated Notes due 1993, interest at 9%, payable in monthly installments with annual principal payments ranging from $716 to $286 through fiscal 1994.	1,002	1,575
Subordinated Debentures, in default, and related accrued interest ("Old Debentures") of $3,264 and $2,704 at March 31, 1992 and June 30, 1991, respectively, due 1997, interest at 14.5% per annum payable semi-annually, callable on or after November 1, 1990 (face amount of $3,463 and $3,533, plus accrued interest, outstanding at March 31, 1992 and June 30, 1991, respectively).	6,727	6,237

	March 31, 1992	June 30, 1991
Capital lease obligations and other notes, interest at varying rates from 11% to 16% per annum through 2018.	7,716	7,596
	98,555	104,168
Less current portion	(4,834)	(4,283)
Less Old Debentures in default and related accrued interest classified as a current liability	(6,727)	(6,237)
Long-term debt and capital lease obligations	$ 86,994	$ 93,648

Under the terms of the Amended and Restated Bank Credit Agreement between the Company and its bank debt holders (the "Bank Credit Agreement"), the Company is subject to compliance with various financial covenants and operating restrictions. The covenants include, among others, maintenance of specified ratios of current assets to current liabilities, debt service coverage, specified minimum levels of monthly operating cash flows, specified minimum levels of cash and tangible net worth, and debt to equity ratios, all as defined. Such covenants generally contain provisions which allow the Company to cure such non-compliance within specified periods. The Bank Credit Agreement also provides that a default would exist upon the occurrence of a material adverse event, as defined and as reasonably determined by holders of at least 65% of the bank debt, after written notice to the Company and after reasonable opportunity to cure such event. The Company has not been notified of any such material adverse event by the bank debt holders.

The 7% Senior Subordinated Debentures (the "New Debentures"), due December 1, 1999 are redeemable by the Company at any time at a redemption price equal to the accreted value as defined in the indenture. The New Debentures, which were issued in exchange for a portion of the Old Debentures, rank senior to the Old Debentures and are subordinate to the Company's senior indebtedness, including its indebtedness under the Bank Credit Agreement. Under the terms of the New Debentures, the Company is subject to compliance with certain covenants which include, among others, (i) limitation on dividends and certain redemptions and purchases of capital stock; (ii) limitations as to incurrence of additional indebtedness, and (iii) certain limitations on mergers.

The Company has two series of Senior Subordinated Notes (the "Senior Subordinated Notes") which were issued in partial exchange for a portion of the Old Debentures. The Senior Subordinated Notes are senior to the Company's Old Debentures but junior to its outstanding New Debentures. Under the terms of the Senior Subordinated Notes, the Company is subject to compliance with certain covenants which include, among others, limitations as to incurrence of additional senior indebtedness and certain limitations on mergers.

The Company remains in default on $3,463,000 principal amount of its outstanding Old Debentures. The Old Debentures and accrued interest are classified as current liabilities in the accompanying condensed consolidated balance sheets. The Company has sought to maintain discussions with certain Old Debenture Holders to develop terms on which the remaining debentures may be restructured. However, the Company's Bank Credit Agreement imposes limitations on the

Company's ability to make payments on its Old Debentures to conditions where certain financial covenants are met.

To date in fiscal 1992, the Company has purchased $70,000 principal amount of Old Debentures and related accrued interest of $59,000 for a total of $129,000 in two private transactions on which the Company recognized an extraordinary gain of $82,000 (net of income tax effect of $42,000).

Pursuant to the provisions of Financial Accounting Standard ("FAS") 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," the Company has not recognized any gain from the exchange of certain bank debt for Class B common stock and has deferred a portion of the gain from certain transactions in the Old Debentures in fiscal 1991. The deferred unrecognized gains from such transactions are classified in the accompanying condensed consolidated balance sheets under the caption Deferred Debt Restructuring Credits and are being amortized as a reduction of interest expense over the period the restructured debt remains outstanding. For the quarter and nine months ended March 31, 1992, interest expense was reduced by approximately $1,522,000 and $4,614,000, respectively, from the amortization of the Deferred Debt Restructuring Credits. As a result of this reduction in interest expense, the effective interest rate associated with the ten year, 10.5% notes is approximately 4.1%, and the effective interest rate associated with the 7% Senior Subordinated Debentures, the 9% and 7% Senior Subordinated Notes, and the 14.5% Subordinated Debentures is 0%.

Note 4 - Income Taxes

At March 31, 1992, the Company had a tax net operating loss ("NOL") carryforward of approximately $14,000,000 which expires in fiscal years 2002 through 2005. For financial reporting purposes, the NOL carryforward approximates $50,000,000.

The Tax Reform Act of 1986 contains provisions which limit the NOL and investment tax credit carryforwards available to be used in any year should significant changes in ownership occur. A significant change in ownership generally occurs when there has been more than 50% ownership change during any three year period. The Company believes that no significant change in ownership has occurred. However, it is reasonably possible that the Company may lose its NOL and investment tax credit carryforwards as a result of, among other things, any future purchases of 5% or more of the Company's stock by an unaffiliated person or persons, the sale of the stock covered by the Voting Trust Agreement with a former officer of the Company which expires on November 10, 1992, or the issuance of additional stock options under the Company's employee benefit plans.

During fiscal 1991, the Company exchanged 1,951,491 shares of Class B common stock for $18,620,000 of bank debt. Pursuant to certain proposed Treasury Regulations, the Company may be required to utilize $17,000,000 of its NOL as a result of this exchange. This utilization is reflected in the $14,000,000 reported above. In the event these regulations are not finalized, the Company may be able to retain such portion of its NOL; therefore, the Company would have a tax NOL carryforward of approximately $31,000,000 as of March 31, 1992.

The Company may, if it is able to restructure the remaining Old Debentures, exchange additional New Debentures or other debt for Old Debentures. Assuming the continued availability to the Company of tax NOL carryforwards, the Revenue Reconciliation Act of 1990 contains certain provisions which may cause the Company to utilize additional amounts of its NOL's in any such debt restructure transactions. Absent such utilization, the NOL carryforward may be available to offset future taxable income of the Company, if any.

In February 1992, the Financial Accounting Standards Board issued FAS No. 109, "Accounting for Income Taxes," requiring a change in accounting for deferred income taxes for financial statements issued for fiscal years beginning after December 15, 1992. The Company is presently required to adopt the provisions of FAS 109 beginning July 1, 1993. The Company has not completed the analysis required to determine the impact of adopting, or the method it would use to adopt, this standard.

Note 5 - 25% Redeemable Preferred Stock

The Company is authorized to issue 2,500,000 shares of preferred stock (issuable in series) of which it had outstanding at March 31, 1992 and June 30, 1991, respectively, 223,447 and 228,602 shares of $1 par value 25% Participating Convertible Cumulative Redeemable Preferred Stock (the "25% Preferred"). The 25% Preferred has a preference over common stockholders upon liquidation or dissolution of the Company of $25 per share, minus certain dividends if previously paid. Each 25% Preferred share is convertible, at any time, into five shares of Class A common stock, subject to adjustment under certain conditions, and is entitled to annual dividends equal to 25% of defined net income, if any, subject to a maximum annual payment of 10% of liquidation preference, when and if declared by the Board of Directors of the Company out of funds legally available for such dividends. Such dividends are cumulative and subject to certain maximums, limits and other conditions. Pursuant to certain prohibitions in various debt agreements, the Company could not pay dividends to the 25% Preferred holders, and consequently, such dividends were not declared by the Company's Board of Directors. To date, such undeclared dividends are cumulative to the extent of 7% of the 25% Preferred's liquidation value (approximately $391,000 at March 31, 1992). The holders of the 25% Preferred have voting rights on all matters other than the election of Directors. The 25% Preferred is redeemable at any time prior to the required redemption at the Company's option. Based on the current number of shares outstanding, the terms of the 25% Preferred require redemption at a price of $25 per share, minus certain dividends if previously paid, on February 12, 1995 of approximately $745,000, on February 12, 1999 of approximately $2,979,000, and on February 12, 2000 of approximately $1,862,000 (for the remaining shares). Given the current level and terms of the Company's debt, it is unlikely the Company's creditors will permit the Company to make any payments of dividends or for redemption under the terms of the 25% Preferred in the foreseeable future.

The 25% Preferred was recorded at issuance at $1.87 per share and is being accreted to a redemption price of $25.00 per share through the respective redemption dates utilizing the interest method. The accretion is charged to retained earnings, if available, or additional paid-in capital.

During the nine months ended March 31, 1992, 5,155 shares of 25% Preferred were converted into 25,775 shares of Class A common stock.

Note 6 - Commitments and Contingencies

Litigation

The Company is a defendant in an action filed on October 3, 1990 (Paces West Associates v. National

Healthcare, Inc., Civil Action No. 9016977-07, Superior Court of Cobb County, Georgia) which upon the bankruptcy of Paces West Associates on March 11, 1991 was transferred to the United States Bankruptcy Court for the Northern District of Georgia, Atlanta division (Case No. A91-61377-HR). This action involves a lease agreement dated December 1, 1987 by and between Paces West Associates, as landlord, and the Company, as tenant, under which the Company leased its former corporate offices. The Company believes, among other things, that Paces West Associates breached certain provisions of such lease which made the office space untenantable. The complaint alleges that the Company is in default under the lease agreement due to, among other things, the Company's abandonment of the premises and refusal to pay certain rents. The plaintiff seeks to recover, among other things, certain lease inducements given to the Company and unpaid rents, and also seeks a declaratory judgement stating that the lease agreement remains in full force. The plaintiff seeks damages in excess of $1,800,000 plus attorneys' fees. The Company believes the plaintiff's claim to be substantially without merit and intends to vigorously defend the action. The Company believes, based upon consultation with outside legal counsel, the ultimate resolution of this action will not have a material adverse effect on its financial position or results of operations.

Investigation of Elba Nursing Home, Elba, Alabama, by the Alabama Attorney General

On February 14, 1992, the Company was notified by the Medicaid Fraud Control Unit of the Office of the Alabama Attorney General of its investigation regarding the former operation by one of the Company's subsidiaries of the Elba Nursing Home facility during the period from March 1989 through January 1991. During the period under investigation, the facility was owned by the Health Care Authority of Elba, Alabama, and leased to and operated by National Healthcare of Elba, Alabama, Inc., a subsidiary of the Company. Such facility was disposed of in January 1991.

The Attorney General's investigation is primarily based upon the activities of the facility's Chief of Staff who is alleged to have improperly signed certifications regarding medical findings and physician's orders upon patient admission, and subsequent patient consultations and progress notes. These certifications were forwarded to the Alabama Medicaid agency as part of the documentation in support of the facility's request for reimbursement under the Medicaid program. The Attorney General alleges that the expenses reimbursed in response to requests which included the improper certifications as supporting documentation total $600,000. There is no indication at this time that any officer or director of the Company was aware of any improper activities of the subsidiary or of the facility's Chief of Staff. No formal administrative or civil proceedings have been initiated and the Company's investigation into this matter is still in the initial stages. The Company believes, based upon consultation with outside legal counsel, the ultimate resolution of this action will not have a material adverse effect on its financial position or results of operations.

The Company is subject to claims and legal actions by patients and others in the ordinary course of business. The Company believes that such additional claims will not have a material adverse effect on the Company's financial position or results of operations. The Company is self-insured against its general and professional liability risks. The liability recorded for losses incurred and claims made is based upon individual case estimates for losses reported and upon estimates on the basis of past experience for losses incurred but not reported. Pursuant to such self-insurance program, the Company has established and funded a trust fund to pay certain general and professional malpractice expenses and losses which is classified, along with other items, in the accompanying condensed consolidated balance sheets under the caption "Other Assets." Such self insurance funds are subject to security interests in favor of the Company's Bank Debt Holders. During the first and third quarters of fiscal 1992, the Company reduced its general and professional liability reserves by approximately $350,000 and $1,166,000, respectively, based on updated estimates of the Company's expected general and professional liability losses.

Other Contingencies

The Company has employment agreements with four officers (and a severance agreement with one former officer) which provide for certain payments and benefits in the event of a "change in control" of the Company, as defined. Change in control is generally defined as the acquisition of that number of shares of the outstanding stock which would allow such acquiring entity or a concerted group of entities to elect a majority of the Board of Directors of the Company. The employment agreements for three executive officers were approved by the Board of Directors in 1989, all for terms expiring in periods from 1993 to 1995. The Company's obligation to provide change in control benefits under the severance agreement expires in 1992. The maximum contingent liability under the employment and severance agreements is approximately $3,000,000.

Note 7 - Earnings Per Share

The following table summarizes the number of common and common equivalent shares used in computing net income per share at March 31, 1992 and 1991.

	Quarter Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
Weighted average Class A common stock outstanding	12,477,571	12,233,649	12,457,256	12,233,649
Class B common stock (convertible to Class A common stock) outstanding	1,951,491	--	1,951,491	--
Common stock equivalents:				
Effect of shares estimated to be issuable to bank debt holders pursuant to the Bank Credit Agreement	--	1,951,491	--	1,951,491
Effect of the assumed conversion of 25% Participating Convertible Cumulative Redeemable Preferred Stock (5 shares of common for 1 share of preferred)	1,117,235	1,279,930	1,117,235	1,279,930
Options and other	1,783,823	516,165	1,531,982	516,165
Shares used in computing net income per share	17,330,120	15,981,235	17,057,964	15,981,235

Note 8 - Supplemental Information to Consolidated Statements of Cash Flows

The Company paid approximately $2,452,000 and $7,375,000 of interest on various obligations (other than the indebtedness outstanding under the Old Debentures) in the quarter and nine months ended March 31, 1992 and paid approximately $2,456,000 and $7,481,000 for the comparable periods a year earlier.

The Company paid approximately $117,000 and $294,000 in income taxes in the quarter and nine months ended March 31, 1992 and paid approximately $4,000 and $82,000 for the comparable periods a year earlier.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

HALLMARK HEALTHCARE CORPORATION
March 31, 1992

Results of Operations

The Company reported net income of $3,237,000 or $0.18 per share and $4,510,000 or $0.27 per share for the quarter and nine months ended March 31, 1992 compared to net income of $3,202,000 or $0.20 per share and $3,796,000 or $0.24 per share for the quarter and nine months ended March 31, 1991.

Net income for the quarter and nine months ended March 31, 1992 included extraordinary credits of $1,197,000 or $0.07 per share and $1,771,000 or $0.11 per share, respectively, from the utilization of net operating loss carryforwards, compared to extraordinary credits of $1,085,000 or $0.07 per share and $1,395,000 or $0.09 per share, respectively, for the quarter and nine months ended March 31, 1991.

Net income for the nine months ended March 31, 1992 also included extraordinary gains of $82,000 from the restructure of $70,000 principal amount of the Company's Old Debentures. Net income for the quarter and nine months ended March 31, 1991 included extraordinary gains of $1,070,000 or $0.06 per share and $1,150,000 or $0.07 per share, respectively, from the restructure of $708,000 and $808,000 principal amount of the Company's Old Debentures.

Weighted average common and common equivalent shares outstanding used to compute net income per share increased 1,348,885 and 1,076,729, or 8.4% and 6.7%, respectively, for the quarter and nine months ended March 31, 1992 primarily due to the dilutive effect of certain employee stock options.

The Company's net patient service revenues were $43,140,000 and $124,350,000 for the quarter and nine months ended March 31, 1992 and $41,280,000 and $116,613,000, respectively, for the comparable periods a year earlier. The 4.5% increase for the quarter and the 6.6% increase for the nine months ended March 31, 1992 are primarily due to increased charges, the addition of new services at the Company's hospitals and for the quarter ended March 31, 1992, a $623,000 increase in favorable settlements of prior year cost reports with the Medicare and Medicaid programs.

The Company's operating earnings before interest, taxes, extraordinary items and in the quarter and nine months ended March 31, 1992, reductions of $1,166,000 and $1,516,000, respectively, to the Company's expected general and professional liability reserves, were $3,532,000 and $7,293,000 for the quarter and nine months ended March 31, 1992 versus $3,987,000 and $9,119,000, respectively, for the comparable periods a year earlier. This 11.4% decrease for the quarter and 20% decrease for the nine months ended March 31, 1992 are primarily due to a decline in patient days of 14.9% and 12.4%, respectively, which was partially offset by increased outpatient revenues of 30.8% and 28.4%, respectively, for the quarter and nine months ended March 31, 1992. The decrease in operating earnings for the quarter ended March 31, 1992 was also offset by a $623,000 increase in favorable settlements of prior year cost reports with the Medicare and Medicaid programs.

A substantial portion of the Company's revenue is derived from the federal Medicare program and state Medicaid programs. These programs have undergone changes in recent years designed to reduce healthcare costs, resulting in pressure on hospitals and other healthcare providers to reduce their costs and limit the provision of services. These changes have, and future changes in such statutes and regulations may, adversely affect the Company.

A number of the Company's hospitals qualify for "geographic reclassification" or have been designated as "disproportionate share" or "small dependent" hospitals under the Medicare and/or Medicaid programs. These hospitals are reimbursed at a more favorable rate than similar hospitals not receiving such designations. There can be no assurance that the Company will be able to retain these favorable designations in the future for all, or any, of these hospitals or that these programs will continue. The loss of such designations could adversely affect the Company's operations.

Net patient service revenues are presented in the consolidated statements of income net of the provision for contractual allowances. The provision for contractual allowances as a percentage of gross operating revenues was 33% for the quarter and nine months ended March 31, 1992 and 33% and 32%, respectively, for the comparable periods a year earlier, or a year to date increase of 3%. Such increase is primarily due to increased charges at the Company's hospitals that were greater than corresponding increases in reimbursement rates from the Medicare and Medicaid programs. Net patient service revenues for the quarter and nine months ended March 31, 1992 included credits of approximately $927,000 and $1,700,000, respectively, from reductions in the provision for contractual allowances primarily as a result of favorable settlements of prior year cost reports with program intermediaries and an increase in management's estimates of expected future recoveries, compared to $304,000 and $1,786,000 of similar credits, respectively, for the quarter and nine months ended March 31, 1991.

Salaries and benefits expense for the quarter and nine months ended March 31, 1992 increased $1,592,000 and $4,189,000, or 9.1% and 8.2%, respectively, over the prior fiscal periods, primarily as a result of rate increases and the increased costs under the Company's self-insured employee health insurance plan. Supplies expense increased $279,000 and $1,230,000 for the quarter and nine months ended March 31, 1992, or 4.8% and 7.8%, respectively, over the prior fiscal periods, primarily as a result of an increase in the price of supplies and the addition of outpatient services at the Company's hospitals, which tend to be more supply intensive than other services. Other operating expenses for the quarter and nine months ended March 31, 1992 were reduced approximately $1,166,000 and $1,516,000, respectively, due to a reduction in the Company's general and professional liability reserves. Excluding such reduction, other operating expenses increased $1,078,000 and $3,038,000 for the quarter and nine months ended March 31, 1992, or 10.7% and 10.2%, respectively, over the prior fiscal periods, primarily due to increased use of outside contractual services and increased fees paid to outside medical specialists resulting from the increase in services offered at the Company's hospitals.

Provision for bad debts decreased $641,000 for the quarter ended March 31, 1992 and increased $906,000 for the nine months ended March 31, 1992. Provision for bad debts as a percent of net patient service revenues was 6.1% and 7.3% for the quarter and nine months ended March 31, 1992 versus 7.9% and 7.0% for the comparable periods a year earlier. The improvement in the quarter is primarily due to the implementation of procedures at selected facilities to improve collections. The year to date increase is primarily due to economic conditions in the communities in which the Company operates.

Interest expense decreased $867,000 and $2,600,000 in the quarter and nine months ended March 31, 1992 from the prior fiscal periods primarily due to (i) reductions of the Company's Bank Debt, (ii) the amortization of $1,522,000 and $4,614,000 of deferred debt restructuring credits in the quarter and nine months ended March 31, 1992 compared to $955,000 and $2,918,000 for the comparable periods a year earlier, and (iii) the Company's restructuring of $6,231,000 principal amount of its Old Debentures during fiscal 1991.

At March 31, 1992 the Company had a tax NOL carryforward of approximately $14,000,000 which expires in fiscal years 2002 through 2005. For financial reporting purposes, the NOL carryforward approximates $50,000,000.

The Tax Reform Act of 1986 contains provisions which limit the NOL and investment tax credit carryforwards available to be used in any year should significant changes in ownership occur. A significant change in ownership generally occurs when there has been more than 50% ownership change during any three year period. The Company believes that no significant change in ownership has occurred. However, it is reasonably possible that the Company may lose its NOL and investment tax credit carryforwards as a result of, among other things, any future purchases of 5% or more of the Company's stock by an unaffiliated person or persons, the sale of the stock covered by the Voting Trust Agreement with a former officer of the Company which expires on November 10, 1992, or the issuance of additional stock options under the Company's employee benefit plans.

The Company may, if it is able to restructure the remaining Old Debentures, purchase for cash and/or exchange additional New Debentures or other debt for Old Debentures. Assuming the continued availability to the Company of tax NOL carryforwards, the Revenue Reconciliation Act of 1990 contains certain provisions which may cause the Company to utilize additional amounts of its NOL's in any such debt restructure transactions. Absent such utilization, the NOL carryforward may be available to offset future taxable income of the Company, if any.

Liquidity and Capital Resources

In fiscal 1989, the Company and its lending banks executed the Amended and Restated Bank Credit Agreement which by its terms restructured into three series of notes, $133,500,000 of principal, unpaid interest and costs outstanding under the previous bank credit agreement. In fiscal 1991, the Company and its bank debt holders modified the Bank Credit Agreement to, among other things, (i) cause the bank debt holders to exchange $18,620,000 principal amount of its outstanding bank debt for 1,951,491 shares of the Company's non-voting convertible Class B common stock; (ii) provide the Company with certain additional operational flexibility; (iii) eliminate any requirement that the Company restructure any Old Debentures; and (iv) limit the Company's right to make payments on its remaining outstanding Old Debentures to circumstances when the Company meets certain financial tests.

To date, the Company has restructured, in ten transactions, $26,537,000 principal amount of its Old Debentures for a total cash consideration of $2,473,000 and the issuance of $9,895,000 principal amount of New Debentures and $2,911,530 principal amount of Senior Subordinated Notes. The Company remains in default on $3,463,000 principal amount of its Old Debentures. The Company has accrued but not paid interest of approximately $3,264,000 at March 31, 1992 on the outstanding Old Debentures. The Old Debentures and accrued interest are classified as current liabilities in the accompanying condensed consolidated balance sheets. The Company has sought to maintain discussions with certain Old Debenture holders to develop terms on which the remaining Old Debentures may be restructured.

At March 31, 1992, the Company had no available credit lines and was required to satisfy all of its working capital and capital expenditure requirements from cash provided by operating activities. The Company anticipates that, subject to certain limitations in its Bank Credit Agreement, it will utilize a portion of the cash generated from operations to attempt to restructure its remaining Old Debentures. The Bank Credit Agreement provides that the Company may, subject to certain conditions, utilize cash flow from operations for the payment of capital expenditures of up to $7,125,000 for fiscal 1992 and may carryover, subject to certain conditions and limitations, up to 50% of its unexpended capital expenditure budget to the next fiscal year. For the nine months ended March 31, 1992, the Company expended cash of approximately $4,927,000 for net capital expenditures and paid approximately $6,912,000 in principal payments on long-term debt and capital lease obligations. Cash flow from operating activities approximated $11,315,000 for the nine months ended March 31, 1992 compared to $6,655,000 for the nine months ended March 31, 1991. The Company's cash and cash equivalents decreased $524,000 for the nine months ended March 31, 1992. Working capital decreased from $4,306,000 at June 30, 1991 to $1,317,000 at March 31, 1992 due to payments on the Bank Credit Agreement and capital expenditures.

Operations at the Company's hospitals during the last two fiscal years and the nine month period ended March 31, 1992 generally have not met the Company's financial and operational expectations. The Company has continued to experience a downward trend in its hospital patient census. Therefore, in order for the Company to meet its future operating needs and debt service requirements, among other reasons, it periodically considers, among other things, the disposal of certain hospitals.

The Company's Bank Credit Agreement contains various financial covenants and other operating restrictions which the Company must meet on a periodic basis (usually monthly). Such covenants generally contain provisions which allow the Company to cure such non-compliance within specified periods. The Bank Credit Agreement also provides that a default would exist upon the occurrence of a material adverse event as defined and as reasonably determined by holders of at least 65% of the bank debt, after written notice to the Company and after reasonable opportunity to cure such event. The Company has not been notified of any such material adverse event by the bank debt holders.

Substantially all of the Company's assets are subject to security interests in favor of its bank debt holders and facility lenders including an assignment of the Company's operating accounts and a security interest in funds held under trust agreements for payment of general and professional liability losses.

As discussed in Note 6 to the Financial Statements, the Company is a party to certain legal actions. The Company also is subject to claims and legal actions by patients and others in the ordinary course of business. The Company is self-insured against general and professional liability risks and such self-insurance program exposes the Company to substantial additional risks. Should losses with respect to general and professional liability losses materially exceed the amount of Company funds available to pay such claims, the Company's financial condition would be materially and adversely affected.

HALLMARK HEALTHCARE CORPORATION

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a defendant in an action filed on October 3, 1990 (Paces West Associates v. National Healthcare, Inc., Civil Action No. 9016977-07, Superior Court of Cobb County, Georgia) which on March 11, 1991 was transferred to the United States Bankruptcy Court for the Northern District of Georgia, Atlanta Division (Case No. A91-61377-HR). This action involves a lease agreement dated December 1, 1987 by and between Paces West, as landlord and the Company, as tenant, under which the Company leased its former corporate offices. The Company believes, among other things, that Paces West Associates breached certain provisions of such lease which made the office space untenantable. The complaint alleges that the Company is in default under the lease agreement due to, among other things, the Company's abandonment of the premises and refusal to pay certain rents. The plaintiff seeks to recover, among other things, certain lease inducements given to the Company, unpaid rents, and a declaratory judgement stating that the lease agreement remains in full force. The plaintiff seeks damages in excess of $1,800,000 plus attorneys' fees. The Company believes the plaintiff's claim to be substantially without merit and intends to vigorously defend the action. The Company believes, based upon consultation with outside legal counsel, the ultimate resolution of this action will not have a material effect on its financial position or results of operations.

Investigation of Elba Nursing Home, Elba, Alabama, by the Alabama Attorney General

On February 14, 1992, the Company was notified by the Medicaid Fraud Control Unit of the Office of the Alabama Attorney General of its investigation regarding the former operation by one of the Company's subsidiaries of the Elba Nursing Home facility during the period from March 1989 through January 1991. During the period under investigation, the facility was owned by the Health Care Authority of Elba, Alabama, and leased to and operated by National Healthcare of Elba, Alabama, Inc., a subsidiary of the Company. Such facility was disposed of in January 1991.

The Attorney General's investigation is primarily based upon the activities of the facility's Chief of Staff who is alleged to have improperly signed certifications regarding medical findings and physician's orders upon patient admission, and subsequent patient consultations and progress notes. These certifications were forwarded to the Alabama Medicaid agency as part of the documentation in support of the facility's request for reimbursement under the Medicaid program. The Attorney General alleges that the expenses reimbursed in response to requests which included the improper certifications as supporting documentation total $600,000. There is no indication at this time that any officer or director of the Company was aware of any improper activities of the subsidiary or of the facility's Chief of Staff. No formal administrative or civil proceedings have been initiated and the Company's investigation into this matter is still in the initial stages. The Company believes, based upon consultation with outside legal counsel, the ultimate resolution of this action will not have a material effect on its financial position or results of operations.

Item 3. Defaults Upon Senior Securities

(a) The Company remains in default on $3,463,000 principal amount of its outstanding 14.5% Subordinated Debentures due November 1, 1997 ("Old Debentures"). The Company has accrued but not paid a total of approximately $3,332,000 at April 30, 1992 in interest due on the outstanding Old Debentures. The Old Debentures and related accrued interest as of March 31, 1992 are classified as a current liability in the accompanying condensed consolidated balance sheets.

(b) The Company has outstanding 223,447 shares of 25% Participating Convertible Cumulative Redeemable Preferred Stock (the "25% Preferred"). Each 25% Preferred share is entitled to annual dividends equal to 25% of defined net income, if any, subject to a maximum annual payment of 10% of liquidation preference, when and if declared by the Board of Directors of the Company out of funds legally available for such dividends. Such dividends are cumulative and subject to certain maximums, limits and other conditions. Pursuant to certain prohibitions in various debt agreements, the Company could not pay dividends to the 25% Preferred holders, and consequently, such dividends were not declared by the Company's Board of Directors. Such undeclared dividends are cumulative to the extent of 7% of the 25% Preferred's liquidation value (approximately $391,000 at March 31, 1992).

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

EXHIBIT INDEX

Item	Description	Page No.
11	Calculation of Average Number of Common and Common Equivalent Shares (Quarter and nine months ended March 31, 1992 and 1991)	25

(b) Reports on Form 8-K

None.

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HALLMARK HEALTHCARE CORPORATION

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HALLMARK HEALTHCARE CORPORATION

Date: May 12, 1992

Robert M. Thornton, Jr.
Executive Vice President, Secretary, and Treasurer (Chief Financial Officer and Principal Accounting Officer)

FORM 10-Q

HALLMARK HEALTHCARE CORPORATION

EXHIBIT XI

CALCULATION OF AVERAGE NUMBER OF PRIMARY AND FULLY DILUTED COMMON AND COMMON EQUIVALENT SHARES

(in thousands)

	For the Quarter Ended March 31,		For the Nine Months Ended March 31,	
	1992	1991	1992	1991
Weighted average Class A common stock outstanding	12,478	12,234	12,457	12,234
Class B common stock outstanding (convertible to Class A common stock)	1,951	--	1,951	--
Common stock equivalents:				
Effect of shares estimated to be issuable to bank debt holders pursuant to the Bank Credit Agreement	--	1,951	--	1,951
Effect of the assumed conversion of 25% Participating Convertible Cumulative Redeemable Preferred Stock (5 shares of common for 1 share of preferred)	1,117	1,280	1,117	1,280
Options and other	1,784	516	1,533	516
Average number of common and common equivalent shares on a primary and fully diluted basis	17,330	15,981	17,058	15,981

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended December 31, 1991 Commission File No.: 0-2661

Harrell International, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State of jurisdiction)

13-1946181
(I.R.S. Employer Identification No.)

17218 Preston Road, Suite 425, Dallas, TX 75252
(Address of principal executive offices)

(214) 250-6370
(Registrant's telephone no., including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

(1) Yes X No ____
(2) Yes X No ____

The number of shares outstanding of the registrant's Class A, $.01 par value common stock as of January 31, 1992, was 485,380 (as adjusted to give effect to the Restructuring Agreement dated December 23, 1991 - see Item 1 in the registrant's Form 10-K report for the fiscal year ended September 30, 1991, which is incorporated herein by this reference).

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HARRELL INTERNATIONAL, INC.

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Signature Page 9

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

HARRELL INTERNATIONAL, INC.
CONDENSED BALANCE SHEETS

	December 31, 1991 (Unaudited)	September 30, 1991 (Audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 8,325	$ 293
Total current assets	8,325	293
Furniture and equipment, net	-	-
Investments in joint ventures	191	2,529
Total assets	$ 8,516	$ 2,822
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 410	$ 34,451
Amounts payable to related party	17,077	17,077
Total current liabilities	17,487	51,528
Note payable	50,000	-
Total liabilities	67,487	51,528
Stockholders' equity:		
Common stock:		
Class A, $.01 par value, 9,000,000 shares authorized, 485,380 issued and outstanding	4,854	4,854
Class B, $.01 par value, 1,000,000 shares authorized	-	-
Additional paid-in capital	1,929,540	1,929,540
Accumulated deficit	(1,993,365)	(1,983,100)
Total stockholders' equity	(58,971)	(48,706)
Total liabilities and shareholders' equity	$ 8,516	$ 2,822

HARRELL INTERNATIONAL, INC.
STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended December 31	
	1991	1990
Revenue:		
Equity in losses of joint ventures	$ (1,819)	$ -
Interest income	-	180
Other income	462	-
	(1,357)	180
General and administrative expenses	8,908	59,145
Net loss	$(10,265)	$(58,965)
Loss per common share	$ (.02)	$ (.12)
Weighted average number of common shares outstanding	485,380	485,380

HARRELL INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ended December 31	
	1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (10,265)	$ (58,965)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Equity in losses of joint ventures	1,819	-
Accretion of equity interest in assets of joint ventures over initial investments	(462)	-
Distribution received on joint venture investment	981	-
Loss on disposal of furniture and equipment	-	478
Changes in assets and liabilities:		
Decrease in prepaid expenses	-	2,181
Increase (decrease) in accounts payables and accrued expenses	(34,041)	13,339
Net cash used by operating activities	(41,968)	(42,967)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in note payable	50,000	
NET INCREASE (DECREASE) IN CASH	8,032	(42,967)
CASH AT BEGINNING OF PERIOD	293	46,538
CASH AT END OF PERIOD	$ 8,325	$ 3,571

HARRELL INTERNATIONAL, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS

1. PRINCIPLES OF DISCLOSURE

The balance sheet as of December 31, 1991, and the related statements of income and cash flows for the three month periods ended December 31, 1991 and 1990, are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments consisted only of normal recurring items. Interim results are not necessarily indicative of results for a full year.

The financial statements and notes are presented as permitted by Form 10-Q, and do not contain certain information included in the Registrant's annual financial statements and notes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Material Changes in Financial Condition.

Harrell International, Inc. (the "Company or the "Registrant"), entered into joint venture agreements with Villa Martinique Investors Corporation and Athena Gardens Investment Corporation, both Texas corporations, dated July 15, 1991, and October 9, 1991, respectively. The details of these agreements and the involvement of related parties therein, together with a comprehensive explanation of the Company's capital restructuring pursuant to the Restructuring Agreement between the Company and Clover, Inc., dated December 23, 1991, is set forth in the Company's Form 10-K report for the fiscal year ended September 30, 1991, a copy of which is attached hereto and the terms of which are incorporated herein by this reference.

Material Changes in Results of Operations.

The Company recognizes revenue or expenses from its joint venture projects in two respects. First, the Company records income or losses from the normal operations of the ventures which take into consideration the revenue and expenses from the operations of the apartment projects owned and operated by them. Second, the Company recognizes other income to the extent it accretes the difference between its investment in the joint ventures and its share of the joint ventures' net assets. This accretion into income is produced as a result of the Company having received an interest in the joint ventures without making an initial investment. For the period ended December 31, 1991, the Company's share of the amount of the losses from joint ventures was $1,815 and the accretion into other income was $462.

Part II. OTHER INFORMATION

Item 1. Legal.

There were no material legal proceedings, either on-going, instituted by or against, or otherwise involving the Registrant, during the quarter ended December 31, 1991.

Item 2. Change in Securities.

None.

Item 3. Defaults Upon Senior Securities.

The Registrant does not have any outstanding debt or securities of this nature.

Item 4. Submission of Matters to a Vote of Security Holders.

The Registrant did not submit any matters to a vote of the security holders during the quarter ended December 31, 1991.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports.

(a) A copy of the Registrant's Form 10-K report for the fiscal year ended September 30, 1991, is attached hereto as Exhibit A and is incorporated herein by this reference.

(b) No reports on Form 8-K were filed by the Registrant for the quarter ended December 31, 1991.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HARRELL INTERNATIONAL, INC.

By: Wilson L Harrell
Wilson L. Harrell, President

Dated: June 13, 1992

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There is no exhibit index.

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

March 31, 1992	0-14447
For Quarter Ended	Commission File No.

INVG MORTGAGE SECURITIES CORP.
Exact Name of Registrant as Specified in its Charter

Maryland	13-3397560
State or other Jurisdiction of Incorporation or Organization	IRS Empl. Indent. No.
One Dag Hammarskjold Plaza, 7th Floor, New York, NY	10017-2289
Address of Principal Executive Offices	Zip Code

212-702-4870
Registrant's Telephone Number, Including Area Code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports,) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

INVG Mortgage Securities Corp., has one class of Common Stock outstanding of which 682,275 shares were issued and outstanding as of March 31, 1992.

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INVG MORTGAGE SECURITIES CORP.

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INVG MORTGAGE SECURITIES CORP.

CONSOLIDATED BALANCE SHEETS

	(Unaudited) March 31, 1992	December 31, 1991
ASSETS		
Cash and cash equivalents	$ 1,567,468	$ 1,086,232
Investment in Governement National Mortgage Association Certificates	680,147,190	719,761,842
Accrued interest receivable	6,661,286	7,008,715
Deferred Issuance Costs	5,360,037	5,608,587
Other Assets	0	872
Total assets	$ 693,735,981	$ 733,466,247
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
GNMA-Backed Sequential Pay Bonds Collateralized Mortgage Obligations	$ 661,661,404	$ 700,671,910
Accrued Interest Payable	5,539,579	5,885,511
Accrued expenses and other liabilities	80,000	258,142
Dividend Payable	68,228	0
Total Liabilities	667,349,211	706,815,563
Stockholders' Equity:		
Common Stock, $.01 par value: 25,000,000 shares authorized; 682,275 shares issued and outstanding	6,823	6,823
Additional Paid-in capital	15,103,692	15,103,692
Retained Earnings	11,276,255	11,540,169
Total Stockholders' Equity	26,386,770	26,650,684
Total Liabilities and Stockholders' Equity	$ 693,735,981	$ 733,466,247

See accompanying notes to financial statements.

INVG MORTGAGE SECURITIES CORP.

CONSOLIDATED STATEMENTS OF LOSS

	Three Months Ended (Unaudited)	
	March 31, 1992	March 31, 1991
Interest Income	$ 23,372,983	$ 27,341,430
Expenses:		
Interest	23,464,674	27,544,477
Professional Fees	14,000	55,000
Trustee/Transfer Agent Fee	16,381	26,291
Management fee and officer's compensation	58,587	70,000
Directors' fees	7,000	2,000
Miscellaneous	8,027	7,571
Total Expenses	23,568,669	27,705,339
Net Loss	(195,686)	(363,909)
Net loss per common share	$ (0.29)	$ (0.53)

CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDERS' EQUITY

	Three Months Ended March 31, 1992 (Unaudited)			
	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, December 31, 1991	$6,823	$15,103,692	$11,540,169	$26,650,684
Net Loss	-	-	(195,686)	(195,686)
Dividends Declared	-	-	(68,228)	(68,228)
Balance, March 31, 1992	$6,823	$15,103,692	$11,276,255	$26,386,770

	Three Months Ended March 31, 1991 (Unaudited)			
	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, December 31, 1990	$6,823	$15,103,692	$13,790,845	$28,901,360
Net Loss	-	-	(363,909)	(363,909)
Dividends Declared	-	-	-	-
Balance, March 31, 1991	$6,823	$15,103,692	$13,426,936	$28,537,451

See accompanying notes to financial statements.

INVG MORTGAGE SECURITIES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended (Unaudited)	
	March 31, 1992	March 31, 1991
Cash flows from operating activities:		
Net Loss	$ (195,686)	$ (363,909)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of deferred issuance costs	248,550	232,065
Amortizatin of bond discount	4,084,183	3,921,207
Amortization of premium and discount on Government National Mortgage Association Certificates, net	(3,471,800)	(3,429,582)
Decrease in accrued interest receivable	347,429	212,331
Decrease in principal amount of Government National Mortgage Association Certificates	43,086,451	26,306,502
Decrease in Other Assets	873	
Increase (decrease) in accrued expenses	(178,142)	2,271
Decrease in interest payable	(345,932)	(200,704)
Decrease in principal amount of GNMA-Backed Sequential Pay Bonds and Collateralized Mortgage Obligations	(43,094,690)	(26,259,734)
Total adjustments	676,922	783,814
Net cash provided by operating activities:	481,236	419,905
Cash flows used by financing activities:		
Dividends and distributions	-	-
Net cash used by financing activities	-	-
Net increase in cash and cash equivalents	481,236	419,905
Cash and cash equivalents at beginning of period	1,086,232	595,281
Cash and cash equivalents at end of period	$ 1,567,468	$ 1,015,186

See accompanying notes to financial statements.

INVG MORTGAGE SECURITIES CORP.

Notes to Financial Statements - March 31, 1992 and 1991 (unaudited)

1. In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments necessary to present fairly the financial position as of March 31, 1992, and the results of operations and the cash flows for the three months ended March 31, 1992 and 1991.

2. The GNMA Certificates are being used as collateral for the Collateralized Mortgage Obligations and Series A Bonds (the "Bonds"). Information with respect to such GNMA Certificates is as follows:

CERTIFICATES	BOND SERIES	INTEREST RATE	DUE DATE	PRINCIPAL AMOUNT	FAIR VALUE	COST PLUS AMORTIZED DISCOUNT
March 31, 1992	1983-1	11.5%	2013	$98,982,491	$112,406,991	$92,231,242
	1984-1	12.0%	2014	76,925,403	88,464,213	74,472,402
	1984-2	8.0%	2008	158,689,338	155,366,780	124,691,021
	1984-3	9.0%	2009	128,694,933	132,676,432	98,583,533
	1984-4	11.0%	2013	153,064,028	169,040,086	135,453,931
	1984-5	12.0%	2014	45,666,424	52,516,388	44,006,715
	INVG A	9.0%,11.5%	2017	109,115,422	115,120,100	110,708,346
Total				$771,138,039	$825,590,991	$680,147,190

3. The Bonds are collateralized by the GNMA Certificates. Information with respect to such Bonds is as follows:

BONDS	BOND SERIES	INTEREST RATE	DUE DATE	PRINCIPAL AMOUNT	UNAMORTIZED DISCOUNT	NET
March 31, 1992	1983-1	11.375%	2013	$98,981,536	$8,203,040	$90,778,496
	1984-1	11.90%	2014	76,925,377	3,729,053	73,196,324
	1984-2	7.875%	2008	158,688,778	40,641,538	118,047,240
	1984-3	8.875-9.0%	2009	128,694,478	32,950,251	95,744,227
	1984-4	10.857%	2013	153,063,342	19,842,819	133,220,523
	1984-5	11.875%	2014	45,664,570	2,037,171	43,627,399
	INVG A	7.828-9.0%	2017	109,267,420	2,220,225	107,047,195
Total				$771,285,501	$109,624,097	$661,661,404

The sequence of each series of bonds with the latest stated maturity is redeemable at the option of the Company in whole, but not in part, when the outstanding principal amount of that sequence declines to 10% or less of its original outstanding principal amount at a redemption price equal to the outstanding principal amount thereof, plus accrued interest,except for the Series A Bonds. This Series is redeemable at the option of the Company in whole, but not in part, on any payment date after the earlier of July 1, 1996 or the payment date on which the Class A-2 Bonds are paid in full.

4. **Quarterly Financial Data:**

	Interest Income	Net (Loss)	Net (Loss) Per Common Share
Year Ending December 31, 1992			
First	$ 23,372,983	$ (195,686)	$ (.29)
Year Ending December 31, 1991			
First	$ 27,341,430	$ (363,909)	$ (.53)
Second	27,805,746	(625,982)	(.92)
Third	27,041,625	94,274	.14
Fourth	24,207,705	(1,355,059)	(1.99)
Total	106,396,506	(2,250,676)	(3.30)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Three Months Ended March 31, 1992

Losses applicable to common stock for the three months ended March 31, 1992 amounted to $195,686 or $0.29 per share. During the period, the Company amortized market discount, net of market premium, on the GNMA Certificates of $3,471,800 for financial reporting purposes. The Company amortized deferred issuance costs of $248,550 and original issue discount of $4,084,183 on the Bonds for financial reporting purposes.

Principal payments received by the Company on the GNMA Certificates underlying the Bonds amounted to $43.1 million during the first three months of 1992.

The Company paid $23.5 million in interest on the Bonds during the three months ended March 31, 1992 and such payment constituted substantially all the expenses of the Company. Changes in LIBOR will affect the amount of interest paid to the Bonds. The interest income on the GNMA Certificates collateralizing the Bonds during the period amounted to $23.4 million.

On March 11, 1992 the Company declared a distribution of $68,228, or $0.10 per share, payable on April 14, 1992 to shareholders of record as of March 31, 1992. This was the Company's first distribution since the fourth quarter of 1990. It is anticipated that a portion of this dividend will be taxable as ordinary dividend income and a portion will be considered a not-taxable return of capital. The exact amount of each will be determined at year end.

Results of Operations

Three Months Ended March 31, 1991

Losses applicable to common stock for the three months ended March 31, 1991 amounted to $363,909 or $0.53 per common share. During the period, the Company amortized market discount, net of market premium, on the GNMA Certificates of $3,429,582 for financial reporting purposes. The Company amortized deferred issuance costs of $232,065 and original issue discount of $3,921,207 on the Bonds for financial reporting purposes.

Principal payments received by the Company on the GNMA Certificates underlying the Bonds amounted to $26.3 million during the first three months of 1991.

The Company paid $27.5 million in interest on the Bonds during the three months ended March 31, 1991 and such payment constituted substantially all the expenses of the Company. Changes in LIBOR will affect the amount of interest paid to the Bonds. The interest income on the GNMA Certificates collateralizing the Bonds during the period amounted to $27.3 million.

Liquidity and Capital Resources

Cash provided from operations of the Company totalled $676,922 for the three months ended March 31, 1992 and $419,905 for the three months ended March 31, 1991.. Cash and cash equivalents of the Company on hand increased during the first three quarters of 1992 and 1991 by $481,236 and $419,905, respectively.

The Company had total assets of $693.7 million and $838.0 million at March 31, 1992. At March 31, 1992, GNMA Certificates collateralizing the Bonds comprised $680.1 million of assets and deferred issuance costs accounted for $5.4 million of assets.

The Company had no capital expenditures.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

Reports: A report on Form 8-K dated January 15, 1992 was filed by the Company stating that the Company's former accountant, Coopers & Lybrand, was dismissed effective January 9, 1992, and a new accountant, Deloitte & Touche, was engaged effective January 10, 1992.

INVG MORTGAGE SECURITIES CORP.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INVG MORTGAGE SECURITIES CORP.

By: ______________________

Robert E. Greeley
Chairman of the Board,
President and Treasurer.
(Principal Executive and
Financial Officer)

Dated: May 12, 1992

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended: March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

BEST COPY AVAILABLE

Commission File No.: 1-8580

Lancer Industries Inc.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-2852590 (I.R.S. Employer Identification No.)
126 East 56th Street, New York, NY Address of principal executive offices)	10022 (Zip Code)

Registrant's telephone number, including area code: (212) 644-8666

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

The number of shares outstanding of each of the issuer's classes of common stock as of May 11, 1992 is as follows:

1,685,684 shares of Class A Common Stock
2,101,057 shares of Class B Common Stock

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Index to Exhibits is on page 37

The Exhibit Index is located on Page __

LANCER INDUSTRIES INC. and SUBSIDIARIES

Form 10-Q

March 31, 1992

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EXHIBITS

LANCER INDUSTRIES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

ASSETS:	March 31, 1992	December 31, 1991
Current assets:		
Cash and cash equivalents	$12,271	$11,788
Accounts receivable - trade (net of allowance for doubtful accounts of $1,025 at March 31, 1992 and $1,089 at December 31, 1991)	23,189	22,092
Inventories	28,557	29,860
Other current assets	4,450	4,637
Total current assets	68,467	68,377
Property, plant and equipment, net of accumulated depreciation and amortization of $39,328 at March 31, 1992 and $35,274 at December 31, 1991	128,435	132,275
Intangible assets:		
Deferred financing costs	11,852	11,852
Goodwill and other intangible assets	103,661	103,661
Less, accumulated amortization	(14,591)	(13,103)
	100,922	102,410
Other assets	922	1,022
Total assets	$298,746	$304,084

Continued

CONSOLIDATED BALANCE SHEETS, Continued

(dollars in thousands)

	March 31, 1992	December 31, 1991
LIABILITIES:		
Current liabilities:		
Current maturities of long-term debt	$6,694	$6,194
Accounts payable and accrued liabilities	25,248	24,085
Accrued payroll and employee benefits	8,409	7,393
Deferred income taxes	895	1,102
Total current liabilities	41,246	38,774
Long-term debt	214,165	218,899
Other long term liabilities	7,621	6,267
Deferred income taxes	37,485	38,824
Minority interest - Kane Industries, Inc. Series C Redeemable Preferred Stock, $.01 par value; authorized 200,000 shares; 48,500 shares issued and outstanding at redemption and liquidation values of $100 per share plus accrued dividends, net of unamortized original issue discount of $1,163 at March 31, 1992 and $1,207 at December 31, 1991	4,762	4,584
Redeemable preferred stock	75,701	72,700
Commitments		
STOCKHOLDERS' DEFICIT:		
Class A common stock, par value $.0025 per share; authorized 17,384,875 shares; 1,685,684 shares issued and outstanding	4	4
Class B common stock, par value $.0025 per share; authorized 2,105,125 shares; 2,101,057 shares issued and outstanding	5	5
Additional paid-in capital	(27,880)	(24,968)
Accumulated deficit, since July 27, 1989	(54,363)	(51,005)
	(82,234)	(75,964)
Total liabilities and stockholders' deficit	$298,746	$304,084

The accompanying notes are an integral part of the consolidated financial statements.

LANCER INDUSTRIES INC. and SUBSIDIARIES

CONSOLIDATED STATEMENTS of OPERATIONS

(dollars in thousands, except per share data)

	For the three months ended March 31, 1992	For the three months ended March 31, 1991
Net sales	$58,138	$60,660
Cost of sales	47,775	49,730
Selling, general and administrative expenses	7,175	7,865
Income from operations	3,188	3,065
Interest expense, net of interest income of $100, and $138 in 1992 and 1991, respectively	6,880	7,271
Amortization of goodwill and other intangible assets	861	1,007
Other expense (income)	350	399
Loss before benefit for income taxes	(4,903)	(5,612)
Benefit for income taxes	1,545	1,700
Net loss	(3,358)	(3,912)
Undeclared dividends on preferred stock	(3,179)	(2,871)
Net loss applicable to common stockholders	($6,537)	($6,783)
Net loss per common share	($1.73)	($1.79)

The accompanying notes are an integral part
of the consolidated financial statements.

LANCER INDUSTRIES INC. and SUBSIDIARIES

CONSOLIDATED STATEMENTS of CASH FLOWS

(dollars in thousands)

	For the three months ended March 31, 1992	For the three months ended March 31, 1991
Cash flows from operating activities:		
Net loss	($3,358)	($3,912)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	5,074	5,086
Decrease in deferred income taxes	(1,546)	(1,700)
Other non cash expenses	1,447	1,418
Refund of pre-reorganizational taxes	267	
Changes in assets and liabilities, net of acquisitions:		
Increase in accounts receivable	(1,099)	(3,412)
Decrease in inventories	1,302	399
Decrease (increase) in other current assets	225	(85)
Increase in accounts payable and accrued liabilities	2,038	1,311
Net cash provided by operating activities	4,350	(895)
Cash flows used in investing activities:		
Additions to property, plant and equipment	(258)	(1,631)
Net cash used in investing activities	(258)	(1,631)
Cash flows from financing activities:		
Proceeds from (payments to) working capital loans	(3,456)	817
Principal payments of debt	(153)	(1,501)
Increase in deferred financing costs	——	(128)
Net cash used in financing activities	(3,609)	(812)
Net increase(decrease) in cash and cash equivalents	483	(3,338)
Cash and cash equivalents:		
Beginning of period	11,788	9,996
End of period	$12,271	$6,658

Continued

CONSOLIDATED STATEMENTS of CASH FLOWS, Continued

(dollars in thousands)

	For the three months ended March 31, 1992	For the three months ended March 31, 1991
Supplemental schedule of non-cash investing and financing activities:		
Undeclared preferred stock dividends:		
Redeemable preferred stock	$3,179	$2,871
Additional paid-in capital	($3,179)	($2,871)
Cash paid during the periods for:		
Interest	$5,749	$6,313
Income taxes	$0	$0

The accompanying notes are an integral part of the consolidated financial statements.

LANCER INDUSTRIES INC. and SUBSIDIARIES

CONSOLIDATED STATEMENT of STOCKHOLDERS' DEFICIT

(dollars in thousands)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Accumulated Deficit, since July 27,1989	Stock-holders' Deficit
Balance, December 31, 1991	$4	$5	($24,968)	($51,005)	($75,964)
Undeclared dividends on redeemable preferred stock			(3,179)		(3,179)
Pre-reorganizational tax refund			267		267
Net loss				(3,358)	(3,358)
Balance, March 31, 1992	$4	$5	($27,880)	($54,363)	($82,234)

The accompanying notes are an integral part of the consolidated financial statements.

NOTES to CONSOLIDATED FINANCIAL STATEMENTS

1. Summary Of Significant Accounting Policies:

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under generally accepted accounting principles have been condensed or omitted pursuant to such regulations. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows have been included. These financial statements should be read in conjunction with the Company's Form 10-K for the year ended December 31, 1991.

Preferred stock dividends accrued but unpaid are added to the carrying value of preferred stock and charged to additional paid-in capital in the absence of retained earnings.

2. Inventories:

Inventories comprise the following:

	(in thousands)	
	March 31, 1992	December 31, 1991
Raw materials	$ 5,229	$ 5,455
Work in process	11,044	11,142
Finished goods	12,284	13,263
	$ 28,557	$ 29,860

Inventories valued at LIFO are approximately $1,283,000 and $1,320,000 less than their estimated replacement cost at March 31, 1992 and December 31, 1991, respectively. Inventories valued under the specific identification and FIFO methods are insignificant to the Company.

3. Loss per Common Share

Net loss per common share is based on the weighted average number of common shares outstanding during the period, which, for the three months ended March 31, 1992 and 1991 were 3,787,000. Net loss per share presented herein does not include common stock equivalents, as their effect on resulting net loss per share would be anti-dilutive. The net loss per common share includes preferred dividends of $3,179,000 and $2,871,000 for the three months ended March 31, 1992 and 1991, respectively (which includes dividends not declared or paid).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Background

Lancer Industries Inc. ("Lancer-Corporate") together with its subsidiaries ("Lancer" or the "Company") is an industrial holding company which focuses primarily on the acquisition of financially distressed and/or operationally under performing companies. In addition, Lancer, through a subsidiary, is the manager of the Joseph Littlejohn Levy Fund, L.P. (the "Fund"), a $221 million equity fund seeking capital appreciation by acquiring controlling equity interests in financially or operationally distressed companies.

During the first quarter of 1992 and 1991, Lancer owned three operating subsidiaries: Fairfield Manufacturing Company ("Fairfield"), Golding Industries, Inc. ("Golding") and Kane Industries, Inc. ("Kane"). Fairfield is the leading independent manufacturer of high precision custom gears and planetary gear systems in North America. Golding is a leading manufacturer of printed mattress ticking in the United States and Canada and also operates a contract textile printing business in the United States. Kane, through its subsidiary Alford Industries Inc., manufactures and sells printed packaging products, injection molded items and single use printed cosmetic samples. Fairfield and Golding were acquired during the third quarter of 1989, and Kane was purchased on March 16, 1990.

Results of Operations

Lancer consolidated net sales in the first quarter of 1992 of $58.1 million represents a $2.5 million decline from the same period in 1991, and the bulk of the decline is attributable to Kane. Fairfield 1992 sales ($27.0 million), while $.8 million lower than first quarter 1991 sales, represents a recovery from the depressed sales levels experienced in the third quarter ($22.8 million) and fourth quarter ($24.4 million) of 1991. Fairfield sales have benefitted from a general increase in activity in its markets as well as an increase in market share in the Custom gear product line. At Fairfield, backlog increased by about $2.5 million during the first quarter of 1992.

First quarter 1992 sales at Golding were $14.1 million, which represents a $.9 million increase over first quarter 1991 sales. A quarter to quarter increase in Contract printing sales of $2.1 million (bringing 1992 sales for that line to $7.1 million) was offset by a decline in Ticking sales (declining $1.2 million to $7.0 million) particulary in Canada,which experienced a $.5 million decline. The increase in Contract sales was supported by improved manufacturing performance which resulted in better delivery performance and higher yields of first quality product. Selective price increases in narrow width products and higher engraving revenues derived from customers testing new patterns also boosted sales in the first quarter of 1992. Declines in Ticking sales are primarily attributable to continued sluggishness in the bedding industry.

LANCER INDUSTRIES INC.
CONSOLIDATING FINANCIAL SUMMARY
($ IN THOUSANDS)

FIRST QUARTER 1992

	FAIRFIELD	GOLDING	KANE	LANCER-CORPORATE	LANCER CONSOLIDATED
NET SALES	$27,001	$14,090	$15,990	$1,057	$58,138
COST OF GOODS SOLD	22,986	10,556	14,233		47,775
GROSS PROFIT	4,015	3,534	1,757		
% OF NET SALES	14.9%	25.1%	11.0%		
GENERAL, SELLING & ADMINISTRATIVE EXPENSE	2,597	1,762	1,551	1,265	7,175
OPERATING PROFIT	$1,418	$1,772	$206	($208)	$3,188
% OF NET SALES	5.3%	12.6%	1.3%		5.5%

FIRST QUARTER 1991

	FAIRFIELD	GOLDING	KANE	LANCER-CORPORATE	LANCER CONSOLIDATED
NET SALES	$27,818	$13,152	$18,569	$1,121	$60,660
COST OF GOODS SOLD	22,903	10,798	16,029		49,730
GROSS PROFIT	4,915	2,354	2,540		
% OF NET SALES	17.7%	17.9%	13.7%		
GENERAL, SELLING & ADMINISTRATIVE EXPENSE	2,411	1,955	2,212	1,287	7,865
OPERATING PROFIT	$2,504	$399	$328	($166)	$3,065
% OF NET SALES	9.0%	3.0%	1.8%		5.1%

Kane sales in the first quarter of 1992 of $16.0 million was $2.6 million lower than first quarter 1991 sales. The shortfall occurred predominately in the tobacco product line, which experienced a $2.8 million decline in sales from first quarter 1991 to the same period 1992 (bringing 1992 sales to $11.4 million) due to pricing pressures and a significant mix shift to lower priced product. Sales in the Prelude product line increased by $.4 million (to $1.2 million) from first quarter 1991 to 1992, reflecting broader market acceptance for this unique product. Plastics and consumer packaging sales experienced slight declines from the first quarter 1991 to the first quarter 1992.

Management fee revenues pertaining to the Fund varied only slightly from first quarter 1991 to 1992.

Gross profits earned by the operating subsidiaries in the first quarter of 1992 of $9.3 million were $.5 million less than the gross profits earned in the first quarter of 1991. As a percentage of net sales, gross profits declined by .2% to 16.3% in the same period. Lower margins at Fairfield and Kane were partially offset by higher profitability at Golding.

From the first quarter 1991 to the first quarter 1992, Fairfield's gross profits declined $.9 million to $4.0 million and dropped, as a percentage of sales, from 17.7% to 14.9%. The lower profitability percentage is attributable to labor inefficiencies and higher scrap costs incurred in connection with a ramp-up in production from the low levels experienced in the second half of

1991.

At Golding, from the first quarter 1991 to the first quarter 1992, gross profits increased $1.2 million to $3.5 million and increased, as a percentage of sales, from 17.9% to 25.1%. The sharp increase in profitability was accomplished through substantially improved manufacturing operations, a favorable mix to higher margin Contract sales, improved pricing in the Contract product line, and the economies of scale achieved with higher sales.

Kane's gross profit as a percentage of sales was 11.0% in the first quarter 1992, 2.7% lower than the 13.7% recorded in the first quarter 1991. Kane's profitability decline from the first quarter 1991 to the same period in 1992 is attributable to lower sales and pricing pressures in the tobacco product line. However, the 11.0% first quarter profitability represents an increase from the 8.1% gross profit recorded in the fourth quarter of 1991, which is evidence that the programs being implemented at Kane to reduce costs and improve manufacturing effectiveness are beginning to offset the declines in price and volume in the tobacco product line.

Selling, general and administrative (S,G & A) expenses declined $.7 million to $7.2 million in the first quarter of 1992 relative to the first quarter of the prior year. Lower spending at Kane, primarily as a result of lower payroll, accounted for a $.7 million decline in S,G & A expense from quarter to quarter.

Fairfield had a $.2 million increase in S,G & A spending offset by a $.2 million decrease at Golding, comparing first quarter 1991 and 1992. At both subsidiaries the fluctuations in S,G & A expense are primarily related to payroll and benefits. Spending for S,G & A at Lancer-corporate remained essentially unchanged from quarter to quarter.

Relative to the first quarter of 1991, operating profits in the first quarter 1992 increased $.1 million to $3.2 million, although sales declined $2.5 million during the same period. Golding, which incurred higher sales and lower costs, accounted for all of the increase in operating profits, while Fairfield, which recorded lower sales and higher costs, offset most of the gains recorded at Golding. Kane experienced a $.1 million drop in operating profit in the face of a $2.6 million reduction in sales.

Net interest expense declined from $6.9 million in the first quarter of 1992 from $7.3 in the first quarter of 1991. The decline is attributable to lower interest rates on Lancer's floating rate debt, however, non-cash interest expense increased as a result of the compounding effect of accumulated interest on Kane's deep discount subordinated debt.

The net loss amounted to $3.3 million and $3.9 million in the first quarter of 1992 and 1991, respectively. Undeclared dividends on preferred stock were $3.2 million and $2.9 million in 1992 and 1991, respectively. The first quarter net loss per share of common stock was $1.73 in 1992 and $1.79 in 1991, which was calculated based on 3,787,000 weighted average number of shares outstanding in 1992 and 1991.

Financial Condition

The Company's cash from operations was $4.4 million in the first quarter of 1992 as compared to a negative $.9 million in the first quarter of 1991. Reductions in working capital provided a net $2.5 million in positive cash flow in 1992, while in 1991 working capital increased $1.8 million. In first quarter 1991, accounts receivable increased by $3.4 million and inventories declined by only $.4 million as sales increased from the low levels experienced at the end of 1990. A smaller sales increase in the first quarter of 1992 resulted in a smaller increase in accounts receivable ($1.1 million) and enabled the continuing inventory reduction programs in place at the Lancer subsidiaries to produce a $1.3 million decline in inventory balances. Lancer's net earnings, after adjusting for all non-cash income statement items, were a positive $1.6 million in the first quarter of 1992, which is $.7 million greater than the equivalent sum in the first quarter of 1991.

Adjustments to net loss to arrive at cash from operations include incremental amortization and depreciation expenses arising from purchase accounting adjustments (goodwill and the write-up to fair market value of tangible and intangible assets) relating to the Company's acquisitions. These non-cash expenses amounted to $3.1 million and $3.0 million in the first three months of 1992 and

1991, respectively. Earnings before interest, taxes, depreciation and amortization (EBITDA) were $7.1 million and $6.7 million in the first three months of 1992 and 1991, respectively.

Capital expenditures, principally for the purchase of manufacturing equipment for productivity improvements and the expansion of capacity, were $.3 million in the first three months of 1992 and were $1.6 million in the first three months of 1991.

The Company had working capital of $27.2 million at the end of March 1992, a decline of $2.4 million since the beginning of the year. The current ratio at March 31, 1992 was 1.7 to 1 and at December 31, 1991 was 1.8 to 1. Cash and cash equivalents were $12.3 million at March 31, 1992, an increase of $.5 million since December 31, 1991.

As of March 31, 1992, the Company had utilized various credit facilities with institutions aggregating $220.4 million, consisting of $111.0 million incurred by Fairfield, $44.0 incurred by Golding, $48.4 incurred by Kane and $17.0 million incurred by Lancer at the corporate level. Unused and available lines of credit under all facilities was $18.9 million at March 31, 1992 which was composed of available lines of $9.0 million at Fairfield, $2.0 million at Golding, $4.9 million at Kane and $3.0 million at Lancer-corporate.

PART II - OTHER INFORMATION

Item 6 -- Exhibits and Reports on Form 8-K

(a) The following is a list of Exhibits hereto required to be filed by Item 601 of Regulation S-K of the Securities and Exchange Commission.

(2) Plan of acquisition, reorganization arrangement, liquidation or succession.

(a) Second Amended and Restated Disclosure Statement and First Amendment and Restated Joint Plan of Reorganization, dated as of February 23, 1989, of McLean Industries, Inc., First Colony Farms, Inc., United States Lines, Inc. and United States Lines (S.A.), Inc. incorporated by reference from Exhibit 2 to Lancer's Form 10-Q as filed with the Securities and Exchange Commission ("SEC") on November 29, 1989 (the "Third Quarter 1989 Form 10-Q").

(4) Instruments defining the rights of security holders, including indentures:

(a) Preferred Stock and Warrant Purchase Agreement, dated August 11, 1989, among Lancer Industries Inc., Mutual Shares Fund, Mutual Qualified Fund, Mutual Beacon Fund and Mutual Series Fund, Inc., incorporated by reference from Exhibit 4(e) to the Third Quarter 1989 Form 10-Q.

(b) Secured Credit Agreement, dated as of March 28, 1989, between Golding Industries Inc. and Household Commercial Financial Services, Inc. ("HCFS"), incorporated by reference from Exhibit 19(a) to the Third Quarter 1989 Form 10-Q.

(c) Indenture, dated as of February 1, 1990, between Kane and First Trust National Association, incorporated by reference from Exhibit 4(a) to the Lancer's Form 8-K as filed with the SEC on April 2, 1990 (the "Form 8-K").

(d) Warrant Agreement, dated as of March 15, 1990, between Kane and First Trust National Association, incorporated by reference from Exhibit (4) (f) to the Form 8-K.

(e) Secured Credit Agreement, dated as of March 15, 1990, between Alford Industries, Inc. and HCFS, incorporated by reference from Exhibit 4(e) and (g) to the Form 8-K.

(f) Credit Agreement, dated as of July 17, 1990, between Fairfield Manufacturing Company, Inc. and Bank of America National Trust and Savings Association, as Agent and the persons listed on the signature pages thereto incorporated by reference from Exhibit 4 (f) to Lancer's Form 10-Q as filed with SEC on August 14, 1990 (the "Second Quarter 1990 Form 10-Q").

(g) Note Agreement, dated as of July 17, 1990, between Fairfield and each of the persons listed on the signature pages thereto incorporated by reference from Exhibit 4(g) of the Second Quarter 1990 Form 10-Q.

(h) Warrant Agreement, dated as of July 17, 1990, between Fairfield and each of the persons listed on the signature pages thereto incorporated by reference from Exhibit 4(h) of the Second Quarter 1990 Form 10-Q.

(i) Note and Warrant Purchase Agreement, dated as of July 18, 1990, between Lancer and Westinghouse Credit Corporation ("Westinghouse") incorporated by reference from Exhibit 4(i) of the Second Quarter 1990 Form 10-Q.

(j) Put Option Agreement, dated as of July 18, 1990, between Lancer, certain of the subsidiaries of Lancer and Westinghouse incorporated by reference from Exhibit 4(j) of the Second Quarter 1990 Form 10-Q.

(k) Registration Rights Agreement, dated as of July 18, 1990, between Lancer and Westinghouse incorporated by reference from Exhibit 4(k) of the Second Quarter 1990 Form 10-Q.

(l) First Amendment to the Golding Credit Agreement, dated as of March 28, 1989, incorporated by reference from Exhibit 4(l) of Lancer's Annual Report on Form 10-K as filed with the SEC on April 1, 1991 (the "1990 Form 10-

K").

(m) First Amendment to the Westinghouse Note and Warrant Purchase Agreement, dated as of February 19, 1991, incorporated by reference from Exhibit 4(m) to the 1990 Form 10-K.

(n) Second Amendment to the Golding Credit Agreement, dated as of March 28, 1991 incorporated by reference from Exhibit 4(n) to the 1990 10-K.

(o) Third Amendment to the Golding Credit Agreement, dated as of March 28, 1991, incorporated by reference from Exhibit 4(o) to the 1990 Form 10-K.

(p) First Amendment to the Alford Credit Agreement, dated as of March 28, 1991, incorporated by reference from Exhibit 4(p) to the 1990 Form 10-K.

(q) Letter Agreement Supplement to the Alford Credit Agreement, dated as of August 16, 1991 incorporated by reference from Exhibit 4(q) to Lancer's Form 10-Q as filed with the SEC on August 17, 1991 (the "Second Quarter 1991 Form 10-Q").

(r) Second Amendment to the Westinghouse Note and Warrant Purchase Agreement, dated as of November 14, 1991 incorporated by reference from Exhibit 4(r) to Lancer's

Form 10-Q as filed with the SEC on November 14, 1991 (the "Third Quarter 1991 Form 10-Q").

(s) Second Amendment to the Alford Credit Agreement, dated as of March 31, 1992 incorporated by reference from Exhibit 4(s) to Lancer's Form 10-K as filed with the SEC on April 4, 1992 (the "1991 Form 10-K").

(t) First Amendment to the Fairfield Credit Agreement, dated as of March 28, 1991.

(u) Second Amendment to the Fairfield Credit Agreement, dated as of September 30, 1991.

(v) Third Amendment to the Fairfield Credit Agreement, dated as of November 29, 1991.

(w) Fourth Amendment to the Fairfield Credit Agreement dated as of January 29, 1992.

(x) Third Amendment to the Westinghouse Note and Warrant Purchase Agreement, dated December 3, 1991.

(11) Statement re: computation of per share earnings.

Not Applicable.

(15) Letter re: unaudited interim financial information.

Not Applicable.

(18) Letter re: change in accounting principles.

Not Applicable.

(19) Previously unfiled documents

Not Applicable.

(20) Report furnished to security holders.

Not Applicable.

(23) Published report regarding matters submitted to vote of security holders.

Not Applicable.

(24) Consents of exhibits and counsel.

Not Applicable.

(25) Power of attorney.

Not Applicable.

(28) Additional exhibits.

Not applicable.

(b) No report on Form 8-K was filed by the Company during the period covered by this Report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

LANCER INDUSTRIES INC.

Dated: May 13, 1992

By ______________________________
Angus C. Littlejohn, Jr.
Vice Chairman and Chief
Financial Officer

Mr. Littlejohn has signed this Report on behalf of the Registrant in his capacity as a duly authorized officer and as the chief financial officer of the Registrant.

EXHIBIT INDEX

Exhibit No.	Description	Page
(2)(a)	Second Amended and Restated Disclosure Statement and First Amendment and Restated Joint Plan of Reorganization, dated as of February 23, 1989, of McLean Industries, Inc., First Colony Farms, Inc., United States Lines, Inc. and United States Lines (S.A.), Inc. incorporated by reference from Exhibit 2 to Lancer's Form 10-Q as filed with the Securities and Exchange Commission ("SEC") on November 29, 1989 (the "Third Quarter 1989 Form 10-Q").	
(4)(a)	Preferred Stock and Warrant Purchase Agreement, dated August 11, 1989, among Lancer Industries Inc., Mutual Shares Fund, Mutual Qualified Fund, Mutual Beacon Fund and Mutual Series Fun, Inc., incorporated by reference from Exhibit 4(e) to the Third Quarter 1989 Form 10-Q.	
(4)(b)	Secured Credit Agreement, dated as of March 28, 1989, between Golding Industries Inc. and Household Commercial Financial Services, Inc. ("HCFS"), incorporated by reference from Exhibit 19(a) to the Third Quarter 1989 Form 10-Q.	
(4)(c)	Indenture, dated as of February 1, 1990, between Kane and First Trust National Association, incorporated by reference from Exhibit 4(a) to the Lancer's Form 8-K as filed with the SEC on April 2, 1990 (the "Form 8-K").	
(4)d)	Warrant Agreement, dated as of March 15, 1990, between Kane and First Trust National Association, incorporated by reference from Exhibit (4)(f) to the Form 8-K.	
(4)(e)	Secured Credit Agreement, dated as of March 15, 1990, between Alford Industries, Inc. and HCFS, incorporated by reference from Exhibit 4(e) and (g) to the Form 8-K.	
(4)(f)	Credit Agreement, dated as of July 17, 1990, between Fairfield Manufacturing Company, Inc. and Bank of America National Trust and Savings Association, as Agent and the persons listed on the signature pages thereto incorporated by reference from Exhibit 4(f) to Lancer's Form 10-Q as filed with the SEC on August 14, 1990 (the "Second Quarter 1990 Form 10-Q").	

Exhibit No.	Description	Page
(4)(h)	Warrant Agreement, dated as of July 17, 1990, between Fairfield and each of the persons listed on the signature pages thereto incorporated by reference from Exhibit 4(h) of the Second Quarter 1990 Form 10-Q.	
(4)(i)	Note and Warrant Purchase Agreement, dated as of July 18, 1990, between Lancer and Westinghouse Credit Corporation ("Westinghouse") incorporated by reference from Exhibit 4(i) of the Second Quarter 1990 Form 10-Q.	
(4)(j)	Put Option Agreement, dated as of July 18, 1990, between Lancer, certain of the subsidiaries of Lancer and Westinghouse incorporated by reference from Exhibit 4(j) of the Second Quarter 1990 Form 10-Q.	
(4)(k)	Registration Rights Agreement, dated as of July 18, 1990, between Lancer and Westinghouse incorporated by reference from Exhibit 4(k) of the Second Quarter 1990 Form 10-Q.	
(4)(l)	First Amendment to the Golding Credit Agreement, dated as of March 28, 1989, incorporated by reference from Exhibit 4(l) of Lancer's Annual Report on Form 10-K as filed with the SEC on April 1, 1991 (the "1990 Form 10-K").	
(4)(m)	First Amendment to the Westinghouse Note and Warrant Purchase Agreement, dated as of February 19, 1991, incorporated by reference from Exhibit 4(m) to the 1990 Form 10-K.	
(4)(n)	Second Amendment to the Golding Credit Agreement, dated as of March 28, 1991, incorporated by reference from Exhibit 4(n) to the 1990 Form 10-K.	
(4)(o)	Third Amendment to the Golding Credit Agreement, dated as of March 28, 1991, incorporated by reference from Exhibit 4(o) to the 1990 Form 10-K.	
(4)(p)	First Amendment to the Alford Credit Agreement, dated as of March 28, 1991, incorporated by reference from Exhibit 4(p) to the 1990 Form 10-K.	

(4)(q)	Letter Agreement Supplement to the Alford Credit Agreement, dated as of August 16, 1991 incorporated by reference from Exhibit 4(q) to Lancer's Form 10-Q as filed with the SEC on August , 1991 (the "Second Quarter 1991 Form 10-Q").	
(4)(r)	Second Amendment to the Westinghouse Note and Warrant Purchase Agreement, dated as of November 14, 1991 incorporated by reference from Exhibit 4(r) to Lancer's Form 10-Q as filed with the SEC on November , 1991 (the "Third Quarter 1991 Form 10-Q").	
(4)(s)	Second Amendment to the Alford Credit Agreement, dated as of March 31, 1992 incorporated by reference from Exhibit 4(s) to Lancer's Form 10-K as filed with the SEC on April , 1992 (the "1991 Form 10-K").	
(4)(t)	First Amendment to the Fairfield Credit Agreement, dated as of March 28, 1991.	p 31
(4)(u)	Second Amendment to the Fairfield Credit Agreement, dated as of September 30, 1991.	p 40
(4)(v)	Third Amendment to the Fairfield Credit Agreement, dated as of November 29, 1991.	p 49
(4)(w)	Fourth Amendment to the Fairfield Credit Agreement, dated as of January 29, 1992.	p 53
(4)(x)	Third Amendment to the Westinghouse Note and Warrant Purchase Agreement, dated December 3, 1991.	p 64
(11)	Statement re: computation of per share earnings. Not Applicable.	
(15)	Letter re: unaudited interim financial information. Not Applicable.	
(18)	Letter re: change in accounting principles. Not Applicable.	
(19)	Previously unfiled documents. Not Applicable.	
(20)	Report furnished to security holders.	

Not Applicable.

(23) Published report regarding matters submitted to vote of security holders.

Not Applicable.

(24) Consents of Exhibits and counsel.

Not Applicable.

(25) Power of Attorney.

Not Applicable.

(28)(a) Additional exhibits.

Not Applicable.

FAIRFIELD
2.4
Exhibit (4)(t)

FIRST AMENDMENT

First Amendment, dated as of March 28, 1991 among FAIRFIELD MANUFACTURING COMPANY, INC., an Indiana corporation (the "Company"), the financial institutions named on the signature pages of this First Amendment (collectively the "Lenders" and individually a "Lender") , BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Collateral Agent (the "Collateral Agent") and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION as agent for Lenders (in such capacity the "Agent").

WHEREAS, Company, Lenders, Collateral Agent and Agent are parties to the Credit Agreement dated as of July 17, 1990 (as at any time amended, supplemented or modified, the "Agreement"); and

WHEREAS, Company, Lenders, Collateral Agent and Agent desire to amend the Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual promises herein contained, Company, Lenders, Collateral Agent and Agent agree as follows:

1. All capitalized terms used herein which are defined in the Agreement shall have the meanings provided therefor in the Agreement unless otherwise defined herein.

2. Section 8.01 of the Agreement shall be and hereby is amended by inserting the phrase ", or to provide security to lenders extending letters of credit or other support for obligations of the Company and its Subsidiaries in an aggregate amount not in excess of Five Hundred Thousand Dollars ($500,000) arising from," following the words "in connection with" in subclause (e) of Section 8.01.

3. Section 8.05(d) of the Agreement shall be and hereby is amended by inserting "(e)," following the reference to "Section 8.01" and deleting the amount "$1,000,000" and inserting the amount "$1,500,000" in lieu thereof.

4. Section 8.13 of the Agreement shall be and hereby is amended by (a) deleting the month "June" appearing in the first line of the column for the Fiscal Year and inserting the month "July" in lieu thereof and (b) deleting the amount "4.0" appearing in the column for Capital Expenditures opposite the Fiscal Year 1991 and inserting the amount "4.4" in lieu thereof.

5. Section 8.14 of the Agreement shall be and hereby is amended by (a) deleting the amount "2.25" and inserting the amount "2.0" in lieu thereof and (b) inserting the phrase "except that for the fourth fiscal quarter of fiscal year 1991 such ratio shall not be less than 1.75 to 1.0" at the end of Section 8.14.

6. Section 8.15 of the Agreement shall be and hereby is amended to read in its entirety as follows:

> "8.15 Consolidated Net Worth. The Company shall not permit its Consolidated Net Worth at any time during any fiscal quarter to be less than the greater of (a) $19,800,000 and (b) 90% of the highest Consolidated Net Worth as of the end of any fiscal quarter commencing after December 31, 1991."

7. Section 8.17(x) of the Agreement shall be and hereby is amended to read in its entirety as follows: "(x) to be less than 0.80 to 1.0 for the Measurement Period ending September 30, 1991 or less than 1.00 to 1.0 for any other Measurement Period ending on or before December 31, 1991" preceding subclause (y) of Section 8.17.

8. Section 8.18 of the Agreement shall be and hereby is amended by (a) inserting a new line under the line "3rd 1990 through 3rd 1991" in the column for Fiscal Quarter to read "4th 1991" and by inserting "1.55" on such new line under the column for Ratio and (b) deleting "4th 1991 through 3rd 1992" and in lieu thereof inserting "1st 1992 through 3rd 1992" under the column for Fiscal Quarter.

9. The Supermajority Lenders hereby consent to the amendment of the Lancer Letter to amend Section 5(x) thereof to read in its entirety as follows: "(x) 0.8 to 1, for the Measurement Period ending September 30, 1991, or 1.0 to 1 for any other Measurement Period ending on or before December 31, 1991".

10. This First Amendment shall be limited precisely as written and shall not be deemed to (i) be a consent to the modification or waiver of any other term or condition of the Agreement or of any of the instruments or agreements referred to therein or (ii) prejudice any right or rights which the Lenders, the Collateral Agent or the Agent may now have under or in connection with the Agreement, as modified by this First Amendment. Except as expressly modified hereby, all of the terms and provisions of the Agreement shall continue in full force and effect; and the Company hereby confirms each and every one of its obligations under the Agreement, as modified by this First Amendment. Whenever the term "Agreement" is used in the Agreement and whenever the Agreement is referred to in any of the instruments, agreements or other documents or papers executed and delivered in connection therewith, it shall be deemed to mean the Agreement, as modified by this First Amendment and Waiver.

11. This First Amendment shall be deemed to be a contract made under the laws of the State of New York and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the laws of the State of New York.

12. The Company hereby represents and warrants to the Agent , the Collateral Agent and the Lenders that on and as of the Effective Date (as defined below) after giving effect to this First Amendment there shall exist

no Event of Default or Default and all representations and warranties contained in the Agreement or otherwise made in writing in connection herewith or therewith (as though made in connection with a request for an Advance under the Agreement) shall be true and correct with the same effect as though such representations and warranties had been made on and as of the Effective Date.

13. This First Amendment shall become effective on the date (the "Effective Date") on which all of the following conditions have been met:

(a) the Company, the Supermajority Lenders, the Collateral Agent and the Agent shall each have signed a copy of this First Amendment (whether the same or different copies);

(b) The Agent shall have received each of the following:

(i) A copy of the Company's resolution or other form of corporate authorization passed by the Board of Directors of the Company authorizing the transactions contemplated herein and certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the Effective Date;

(ii) A certificate signed by the Company's Secretary or an Assistant Secretary and dated the Effective Date as to the incumbency of, and containing the specimen signature of, each person authorized to execute and deliver this First Amendment;

(iii) A letter from Lancer Industries Inc. amending the Lancer Letter as provided in Section 9 of this First Amendment; and

(iv) Payment of an amendment fee in the amount of $25,000 for the benefit of the Lenders on a pro rata basis.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment by their duly authorized officers as of the day and year first above written.

FAIRFIELD MANUFACTURING
COMPANY, INC.

By:__________________________

Title:________________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By:

Title: VICE PRESIDENT

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Collateral Agent

By:

Title: VICE PRESIDENT

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Lender

By:________________________

Title:______________________

MITSUI NEVITT CAPITAL CORPORATION

By:________________________

Title:______________________

GENERAL ELECTRIC CAPITAL CORPORATION

By:________________________

Title:______________________

GIROZENTRALE BANK VIENNA

By:________________________

Title:______________________

NATIONAL BANK OF CANADA

By:________________________

Title:______________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By:________________________

Title:______________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Collateral Agent

By:________________________

Title:______________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Lender

By:________________________

Title: Vice President

MITSUI NEVITT CAPITAL CORPORATION

By:________________________

Title:______________________

GENERAL ELECTRIC CAPITAL CORPORATION

By:________________________

Title:______________________

GIROZENTRALE BANK VIENNA

By:________________________

Title:______________________

NATIONAL BANK OF CANADA

By:________________________

Title:______________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By: ______________________

Title: ______________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Collateral Agent

By: ______________________

Title: ______________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Lender

By: ______________________

Title: ______________________

MITSUI NEVITT CAPITAL CORPORATION

By: ______________________

Title: VICE PRESIDENT

GENERAL ELECTRIC CAPITAL CORPORATION

By: ______________________

Title: ______________________

GIROZENTRALE BANK VIENNA

By: ______________________

Title: ______________________

NATIONAL BANK OF CANADA

By: ______________________

Title: ______________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By:________________________

Title:________________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Collateral Agent

By:________________________

Title:________________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Lender

By:________________________

Title:________________________

MITSUI NEVITT CAPITAL CORPORATION

By:________________________

Title:________________________

GENERAL ELECTRIC CAPITAL CORPORATION

By: Claire L. Moore

Title: Vice President & [illegible] [illegible] 1/91.

GIROZENTRALE BANK VIENNA

By:________________________

Title:________________________

NATIONAL BANK OF CANADA

By:________________________

Title:________________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By:_________________________

Title:________________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Collateral Agent

By:_________________________

Title:________________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Lender

By:_________________________

Title:________________________

MITSUI NEVITT CAPITAL CORPORATION

By:_________________________

Title:________________________

GENERAL ELECTRIC CAPITAL CORPORATION

By:_________________________

Title:________________________

GIROZENTRALE BANK VIENNA

By:_________________________

Title:________________________

NATIONAL BANK OF CANADA

By:_________________________

Title: VP

Charles Hiatt
Vice President

ALLSTATE PRIME INCOME TRUST

By:____________________________

Title: RAFAEL SCOLARI
PORTFOLIO MANAGER

PILGRIM PRIME RATE TRUST

By:____________________________

Title:__________________________

VAN KAMPEN MERRITT PRIME RATE
INCOME TRUST

BY:____________________________

Title:__________________________

ALLSTATE PRIME INCOME TRUST

By:________________________

Title:________________________

PILGRIM PRIME RATE TRUST

By:________________________

Title: [illegible]

VAN KAMPEN MERRITT PRIME RATE
INCOME TRUST

BY:________________________

Title:________________________

Exhibit (4)(w)

SECOND AMENDMENT

Second Amendment, dated as of September 30, 1991 among FAIRFIELD MANUFACTURING COMPANY, INC., an Indiana corporation (the "Company"), the financial institutions named on the signature pages of this Second Amendment (collectively the "Lenders" and individually a "Lender"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Collateral Agent (the "Collateral Agent") and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION as agent for Lenders (in such capacity the "Agent").

WHEREAS, Company, Lenders, Collateral Agent and Agent are parties to the Credit Agreement dated as of July 17, 1990 (as amended by the First Amendment dated as of March 28, 1991 and as at any time further amended, supplemented or modified, the "Agreement"); and

WHEREAS, Company, Lenders, Collateral Agent and Agent desire to amend the Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual promises herein contained, Company, Lenders, Collateral Agent and Agent agree as follows:

1. All capitalized terms used herein which are defined in the Agreement shall have the meanings provided therefor in the Agreement unless otherwise defined herein.

2. Section 8.15 of the Agreement shall be and hereby is amended to read in its entirety as follows:

> "8.15 Consolidated Net Worth. The Company shall not permit its Consolidated Net Worth at any time (a) during the period from and including September 30, 1991 to and including December 30, 1991 to be less than $18,500,000 and (b) during any fiscal quarter other than the period specified in subclause (a) to be less than the greater of (i) $19,800,000 and (ii) 90% of the highest Consolidated Net Worth as of the end of any fiscal quarter commencing after December 31, 1991."

3. This Second Amendment shall be limited precisely as written and shall not be deemed to (i) be a consent to the modification or waiver of any other term or condition of the Agreement or of any of the instruments or agreements referred to therein or (ii) prejudice any right or rights which the Lenders, the Collateral Agent or the Agent may now have under or in connection with the Agreement, as modified by this Second Amendment. Except as expressly modified hereby, all of the terms and provisions of the Agreement shall continue in full force and effect; and the Company hereby confirms each and every one of its obligations under the Agreement, as modified by this Second Amendment. Whenever the term "Agreement" is used in the Agreement and whenever the Agreement is referred to in any of the instruments, agreements or

other documents or papers executed and delivered in connection therewith, it shall be deemed to mean "the Agreement, as modified by this Second Amendment".

4. This Second Amendment shall be deemed to be a contract made under the laws of the State of New York and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the laws of the State of New York.

5. The Company hereby represents and warrants to the Agent, the Collateral Agent and the Lenders that on and as of the Effective Date (as defined below) after giving effect to this Second Amendment there shall exist no Event of Default or Default and all representations and warranties contained in the Agreement or otherwise made in writing in connection herewith or therewith (as though made in connection with a request for an Advance under the Agreement) shall be true and correct with the same effect as though such representations and warranties had been made on and as of the Effective Date.

6. This Second Amendment shall become effective on the date (the "Effective Date") on which all of the following conditions have been met:

(a) the Company, the Required Lenders, the Collateral Agent and the Agent shall each have signed a copy of this Second Amendment (whether the same or different copies);

(b) The Agent shall have received each of the following:

(i) A certificate signed by the Company's Secretary or an Assistant Secretary and dated the Effective Date as to the incumbency of, and containing the specimen signature of, each person authorized to execute and deliver this Second Amendment; and

(ii) A letter from Lancer Industries Inc. consenting to this Second Amendment.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment by their duly authorized officers as of the day and year first above written.

FAIRFIELD MANUFACTURING
COMPANY, INC.

By: ________________________
Title: President.

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By:

Title: [illegible]

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Collateral Agent

By:

Title: [illegible]

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Lender

By:________________________

Title:________________________

MITSUI NEVITT CAPITAL CORPORATION

By:________________________

Title:________________________

GENERAL ELECTRIC CAPITAL CORPORATION

By:________________________

Title:________________________

GIROZENTRALE BANK VIENNA

By:________________________

Title:________________________

NATIONAL BANK OF CANADA

By:________________________

Title:________________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By: ______________________

Title: ______________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Collateral Agent

By: ______________________

Title: ______________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Lender

By: ______________________ [illegible]

Title: Vice President [illegible]

MITSUI NEVITT CAPITAL CORPORATION

By: ______________________

Title: ______________________

GENERAL ELECTRIC CAPITAL CORPORATION

By: ______________________

Title: ______________________

GIROZENTRALE BANK VIENNA

By: ______________________

Title: ______________________

NATIONAL BANK OF CANADA

By: ______________________

Title: ______________________

[illegible]

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By: ______________________

Title: ______________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Collateral Agent

By: ______________________

Title: ______________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Lender

By: ______________________

Title: ______________________

MITSUI NEVITT CAPITAL CORPORATION

By: ______________________

Title: Vice President

GENERAL ELECTRIC CAPITAL CORPORATION

By: ______________________

Title: ______________________

GIROZENTRALE BANK VIENNA

By: ______________________

Title: ______________________

NATIONAL BANK OF CANADA

By: ______________________

Title: ______________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By:____________________________

Title:__________________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Collateral Agent

By:____________________________

Title:__________________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Lender

By:____________________________

Title:__________________________

MITSUI NEVITT CAPITAL CORPORATION

By:____________________________

Title:__________________________

GENERAL ELECTRIC CAPITAL CORPORATION

By: Claire H. Moore

Title: Vice President and
Region Operations Manager

GIROZENTRALE BANK VIENNA

By:____________________________

Title:__________________________

NATIONAL BANK OF CANADA

By:____________________________

Title:__________________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By:________________________

Title:________________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Collateral Agent

By:________________________

Title:________________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Lender

By:________________________

Title:________________________

MITSUI NEVITT CAPITAL CORPORATION

By:________________________

Title:________________________

GENERAL ELECTRIC CAPITAL CORPORATION

By:________________________

Title:________________________

GIROZENTRALE BANK VIENNA

By:________________________

Title:________________________

NATIONAL BANK OF CANADA

By:________________________

Title: VP VP+Rep

H6

ALLSTATE PRIME INCOME TRUST

By:

Title: RAFAEL SCOLARI
PORTFOLIO MANAGER

PILGRIM PRIME RATE TRUST

By:_________________________

Title:________________________

VAN KAMPEN MERRITT PRIME RATE
INCOME TRUST

BY:_________________________

Title:________________________

ALLSTATE PRIME INCOME TRUST

By:____________________

Title:____________________

PILGRIM PRIME RATE TRUST

By:____________________

Title: [illegible]

VAN KAMPEN MERRITT PRIME RATE INCOME TRUST

BY:____________________

Title:____________________

Exhibit (4)(v)

Draft: November 27, 1991

THIRD AMENDMENT

Third Amendment, dated as of November 29, 1991 among FAIRFIELD MANUFACTURING COMPANY, INC., an Indiana corporation (the "Company'), the financial institutions named on the signature pages of this Third Amendment (collectively the "Lenders" and individually a "Lender"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Collateral Agent (the "Collateral Agent") and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION as agent for Lenders (in such capacity the "Agent").

WHEREAS, Company, Lenders, Collateral Agent and Agent are parties to the Credit Agreement dated as of July 17, 1990 (as amended by the First Amendment dated as of March 28, 1991 and the Second Amendment dated as of September 30, 1991 and as at any time further amended, supplemented or modified, the "Agreement"); and

WHEREAS, Company, Lenders, Collateral Agent and Agent desire to amend the Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual promises herein contained, Company, Lenders, Collateral Agent and Agent agree as follows:

1. All capitalized terms used herein which are defined in the Agreement shall have the meanings provided therefor in the Agreement unless otherwise defined herein.

2. Section 8.15 of the Agreement shall be and hereby is amended to read in its entirety as follows:

> "8.15 Consolidated Net Worth. The Company shall not permit its Consolidated Net Worth at any time (a) during the period from and including September 30, 1991 to and including January ~~30~~ 31, 1992 to be less than $18,500,000 and (b) during any fiscal quarter other than the period specified in subclause (a) to be less than the greater of (i) $19,800,000 and (ii) 90% of the highest Consolidated Net Worth as of the end of any fiscal quarter commencing after December 31, 1991."

3. This Third Amendment shall be limited precisely as written and shall not be deemed to (i) be a consent to the modification or waiver of any other term or condition of the Agreement or of any of the instruments or agreements referred to therein or (ii) prejudice any right or rights which the Lenders, the Collateral Agent or the Agent may now have under or in connection with the Agreement, as modified by this Third Amendment. Except as expressly modified hereby, all of the terms and provisions of the Agreement shall continue in full force and effect; and the Company hereby confirms each and every one of its obligations under the Agreement, as modified by this Third Amendment. Whenever the term "Agreement" is used in the Agreement and whenever the Agreement is referred to in any of the instruments, agreements or other

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Post-it™ brand fax transmittal memo 7671 # of pages ▸ 4

To Marcos Rodriguez	From Kachey
Co. Lancer	Co. BofA
Dept.	Phone # 312-269-4

documents or papers executed and delivered in connection therewith, it shall be deemed to mean the Agreement, as modified by this Third Amendment .

4. This Third Amendment shall be deemed to be a contract made under the laws of the State of New York and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the laws of the State of New York.

5. The Company hereby represents and warrants to the Agent, the Collateral Agent and the Lenders that on and as of the Effective Date (as defined below) after giving effect to this Third Amendment there shall exist no Event of Default or Default and all representations and warranties contained in the Agreement or otherwise made in writing in connection herewith or therewith (as though made in connection with a request for an Advance under the Agreement) shall be true and correct with the same effect as though such representations and warranties had been made on and as of the Effective Date.

6. This Third Amendment shall become effective on the date (the "Effective Date") on which all of the following conditions have been met:

(a) the Company, the Required Lenders, the Collateral Agent and the Agent shall each have signed a copy of this Third Amendment (whether the same or different copies);

(b) The Agent shall have received each of the following:

(i) A certificate signed by the Company's Secretary or an Assistant Secretary and dated the Effective Date as to the incumbency of, and containing the specimen signature of, each person authorized to execute and deliver this Third Amendment; and

(ii) A letter from Lancer Industries Inc. consenting to this Third Amendment.

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment by their duly authorized officers as of the day and year first above written.

FAIRFIELD MANUFACTURING
COMPANY, INC.

By:______________________

Title:______________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By:____________________________

Title:__________________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Collateral Agent

By:____________________________

Title:__________________________

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Lender

By:____________________________

Title:__________________________

MITSUI NEVITT CAPITAL CORPORATION

By:____________________________

Title:__________________________

GENERAL ELECTRIC CAPITAL CORPORATION

By:____________________________

Title:__________________________

GIROZENTRALE BANK VIENNA

By:____________________________

Title:__________________________

NATIONAL BANK OF CANADA

By:____________________________

Title:__________________________

ALLSTATE PRIME INCOME TRUST

By:____________________________

Title:__________________________

PILGRIM PRIME RATE TRUST

By:____________________________

Title:__________________________

VAN KAMPEN MERRITT PRIME RATE INCOME TRUST

BY:____________________________

Title:__________________________

File 2.4
Exhibit 4(w)

FOURTH AMENDMENT

Fourth Amendment, dated as of January 29, 1992 among FAIRFIELD MANUFACTURING COMPANY, INC., an Indiana corporation (the "Company'), the financial institutions named on the signature pages of this Fourth Amendment (collectively the "Lenders" and individually a "Lender") , BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Collateral Agent (the "Collateral Agent") and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION as agent for Lenders (in such capacity the "Agent").

WHEREAS, Company, Lenders, Collateral Agent and Agent are parties to the Credit Agreement dated as of July 17, 1990 (as amended by the First Amendment dated as of March 28, 1991, the Second Amendment dated as of September 30, 1991 and the Third Amendment dated as of December 4, 1991 and as at any time further amended, supplemented or modified, the "Agreement"); and

WHEREAS, Company, Lenders, Collateral Agent and Agent desire to amend the Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual promises herein contained, Company, Lenders, Collateral Agent and Agent agree as follows:

1. All capitalized terms used herein which are defined in the Agreement shall have the meanings provided therefor in the Agreement unless otherwise defined herein.

2. The definition of "Applicable Margin" in Section 1.01 of the Agreement shall be and hereby is amended by inserting the words "during the period from January 29, 1992 to and including December 31, 1992, one and three-quarters percent (1-3/4%) and at all other times" following the word "Advances," in subclause (i) thereof and by inserting the words "during the period from January 29, 1992 to and including December 31, 1992, two and three-quarters percent (2-3/4%) and at all other times" following the word "Advances," in subclause (ii) thereof.

3. The definition of "Consolidated Cash Flow" in Section 1.01 of the Agreement shall be and hereby is amended by deleting the words "or payable" in subclause (d)(iii) thereof, and such definition is further amended by deleting the words "in respect of" in subclause (d)(iii) and inserting the word "during" in lieu thereof.

4. Section 8.15 of the Agreement shall be and hereby is amended to read in its entirety as follows:

> "8.15 Consolidated Net Worth. The Company shall not permit its Consolidated Net Worth at any time from and including January 1, 1992 to and including December 31, 1992 to be less than $14,000,000 and at any other time thereafter during any fiscal quarter to be less than the greater of (a) $14,000,000 and (b) 90% of the highest Consolidated Net

Worth as of the end of any fiscal quarter commencing after December 31, 1992."

5. The table in Section 8.16 of the Agreement shall be and hereby is amended to read in its entirety as follows:

"FISCAL QUARTER	RATIO
3rd 1990 through 3rd 1991	2.00
4th 1991	1.80
1st 1992 through 3rd 1992	2.00
4th 1992 through 3rd 1993	1.90
4th 1993 through 3rd 1994	1.70
4th 1994 through 3rd 1995	1.30
4th 1995 through 3rd 1996	1.00
4th 1996 and thereafter	0.60"

6. Section 8.17 of the Agreement shall be and hereby is amended to read in its entirety as follows:

> "8.17 Consolidated Fixed Charge Coverage Ratio. The Company will not permit the ratio of (a) Consolidated Cash Flow for any Measurement Period, to (b) the sum of (i) Consolidated Fixed Charges for such Measurement Period plus (ii) all payments in cash, if any, made and permitted to be made by the Company pursuant to Section 8.11 during such Measurement Period, to be less than the ratio set forth below next to such fiscal quarter set forth below:

FISCAL QUARTER	RATIO
4th 1991	1.00
1st 1992	0.90
2nd 1992	0.60
3rd 1992	0.50
4th 1992 and thereafter	1.00"

7. The table in Section 8.18 of the Agreement shall be and hereby is amended to read in its entirety as follows:

"FISCAL QUARTER	RATIO
3rd 1990 through 3rd 1991	1.50
4th 1991	1.55
1st 1992 through 2nd 1992	1.30
3rd 1992	1.50
4th 1992 through 3rd 1993	1.60
4th 1993 through 3rd 1994	1.75
4th 1994 through 3rd 1995	2.00
4th 1995 through 3rd 1996	2.50
4th 1996 through 3rd 1997	3.00
4th 1997 and thereafter	3.00"

8. The Supermajority Lenders hereby consent to the amendment of the Lancer Letter to amend Section 5(x) and (y) thereof to read in their entirety as follows: "(x) 0.8 to 1, for the Measurement Period ending September 30, 1991; 1.0 to 1 for the Measurement Period ending December 31, 1991; 0.9 to 1, for the Measurement Period ending March 31, 1992; 0.6 to 1, for the Measurement Period ending June 30, 1992; 0.5 to 1, for the Measurement Period ending September 30, 1992; and (y) 1.0 to 1, for each Measurement Period which ends thereafter,".

9. This Fourth Amendment shall be limited precisely as written and shall not be deemed to (i) be a consent to the modification or waiver of any other term or condition of the Agreement or of any of the instruments or agreements referred to therein or (ii) prejudice any right or rights which the Lenders, the Collateral Agent or the Agent may now have under or in connection with the Agreement, as modified by this Fourth Amendment. Except as expressly modified hereby, all of the terms and provisions of the Agreement shall continue in full force and effect; and the Company hereby confirms each and every one of its obligations under the Agreement, as modified by this Fourth Amendment. Whenever the term "Agreement" is used in the Agreement and whenever the Agreement is referred to in any of the instruments, agreements or other documents or papers executed and delivered in connection therewith, it shall be deemed to mean the Agreement, as modified by this Fourth Amendment.

10. This Fourth Amendment shall be deemed to be a contract made under the laws of the State of New York and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the laws of the State of New York.

11. The Company hereby represents and warrants to the Agent, the Collateral Agent and the Lenders that on and as of the Effective Date (as defined below) after giving effect to this Fourth Amendment there shall exist no Event of Default or Default and all representations and warranties contained in the Agreement or otherwise made in writing in connection herewith or therewith (as though made in connection with a request for an Advance under the Agreement) shall be true and correct with the same effect as though such representations and warranties had been made on and as of the Effective Date.

12. This Fourth Amendment shall become effective on the date (the "Effective Date") on which all of the following conditions have been met:

(a) the Company, the Supermajority Lenders, the Collateral Agent and the Agent shall each have signed a copy of this Fourth Amendment (whether the same or different copies);

(b) The Agent shall have received each of the following:

(i) A copy of the Company's resolution or other form of corporate authorization passed by the Board of Directors of the Company authorizing the transactions contemplated herein and certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect on the Effective Date;

(ii) A certificate signed by the Company's Secretary or an Assistant Secretary and dated the Effective Date as to the incumbency of, and containing the specimen signature of, each person authorized to execute and deliver this Fourth Amendment;

(iii) A letter from Lancer Industries Inc. in form satisfactory to the Supermajority Lenders amending the Lancer Letter as provided in Section 8 of this Fourth Amendment; and

(iv) A letter from Lancer Industries Inc. in form satisfactory to the Lenders committing to make capital contributions to the Company in the aggregate amount of $600,000 as follows: (A) on or before the Effective Date, $300,000, (B) on or before April 10, 1992, $100,000, (C) on or before July 10, 1992, $100,000, and (D) on or before October 10, 1992, $100,000.

IN WITNESS WHEREOF, the parties hereto have executed this Fourth Amendment by their duly authorized officers as of the day and year first above written.

FAIRFIELD MANUFACTURING
COMPANY, INC.

By: ____________________

Title: President.

BANK OFAMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By: ____________________

Title: ____________________

BANK OFAMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Collateral Agent

By: ____________________

Title: ____________________

BANK OFAMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Lender

By: ____________________

Title: ____________________

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incumbency of, and containing the specimen signature of, each person authorized to execute and deliver this Fourth Amendment;

(iii) A letter from Lancer Industries Inc. in form satisfactory to the Supermajority Lenders amending the Lancer Letter as provided in Section 8 of this Fourth Amendment; and

(iv) A letter from Lancer Industries Inc. in form satisfactory to the Lenders committing to make capital contributions to the Company in the aggregate amount of $600,000 as follows: (A) on or before the Effective Date, $300,000, (B) on or before April 10, 1992, $100,000, (C) on or before July 10, 1992, $100,000, and (D) on or before October 10, 1992, $100,000.

IN WITNESS WHEREOF, the parties hereto have executed this Fourth Amendment by their duly authorized officers as of the day and year first above written.

FAIRFIELD MANUFACTURING
COMPANY, INC.

By: ________________________

Title: ________________________

BANK OFAMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By: Thos Horwick

Title: Vice President

BANK OFAMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Collateral Agent

By: ________________________

Title: ________________________

BANK OFAMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Lender

By: M Kathleen McVay

Title: Vice President

MITSUI NEVITT CAPITAL CORPORATION

By:

Title: Executive Vice President

GENERAL ELECTRIC CAPITAL CORPORATION

By:________________________

Title:______________________

GIROZENTRALE BANK VIENNA

By:________________________

Title:______________________

NATIONAL BANK OF CANADA

By:________________________

Title:______________________

ALLSTATE PRIME INCOME TRUST

By:________________________

Title:______________________

PILGRIM PRIME RATE TRUST

By:________________________

Title:______________________

VAN KAMPEN MERRITT PRIME RATE INCOME TRUST

BY:________________________

Title:______________________

MITSUI NEVITT CAPITAL CORPORATION

By:________________________

Title:______________________

GENERAL ELECTRIC CAPITAL CORPORATION

By: Elaine L. Moore

Title: Vice President & Region Operations Manager

GIROZENTRALE BANK VIENNA

By:________________________

Title:______________________

NATIONAL BANK OF CANADA

By:________________________

Title:______________________

ALLSTATE PRIME INCOME TRUST

By:________________________

Title:______________________

PILGRIM PRIME RATE TRUST

By:________________________

Title:______________________

VAN KAMPEN MERRITT PRIME RATE INCOME TRUST

BY:________________________

Title:______________________

MITSUI NEVITT CAPITAL CORPORATION

By:________________________

Title:_______________________

GENERAL ELECTRIC CAPITAL CORPORATION

By:________________________

Title:_______________________

GIROZENTRALE BANK VIENNA

By:________________________

Title:_______________________

NATIONAL BANK OF CANADA

By:________________________

Title: VP+Rep AVP

ALLSTATE PRIME INCOME TRUST

By:________________________

Title:_______________________

PILGRIM PRIME RATE TRUST

By:________________________

Title:_______________________

VAN KAMPEN MERRITT PRIME RATE
INCOME TRUST

BY:________________________

Title:_______________________

MITSUI NEVITT CAPITAL CORPORATION

By:________________________

Title:________________________

GENERAL ELECTRIC CAPITAL CORPORATION

By:________________________

Title:________________________

GIROZENTRALE BANK VIENNA

By:________________________

Title:________________________

NATIONAL BANK OF CANADA

By:________________________

Title:________________________

ALLSTATE PRIME INCOME TRUST

By:________________________

Mark D. Senkpiel

Title: Director

PILGRIM PRIME RATE TRUST

By:________________________

Title:________________________

VAN KAMPEN MERRITT PRIME RATE
INCOME TRUST

BY:________________________

Title:________________________

MITSUI NEVITT CAPITAL CORPORATION

By: ______________________________

Title: ______________________________

GENERAL ELECTRIC CAPITAL CORPORATION

By: ______________________________

Title: ______________________________

GIROZENTRALE BANK VIENNA

By: ______________________________

Title: ______________________________

NATIONAL BANK OF CANADA

By: ______________________________

Title: ______________________________

ALLSTATE PRIME INCOME TRUST

By: ______________________________

Title: ______________________________

PILGRIM PRIME RATE TRUST

By: Michael N Hatley

Title: Senior Credit Analyst

VAN KAMPEN MERRITT PRIME RATE
INCOME TRUST

BY: ______________________________

Title: ______________________________

MITSUI NEVITT CAPITAL CORPORATION

By: ____________________________

Title: _________________________

GENERAL ELECTRIC CAPITAL CORPORATION

By: ____________________________

Title: _________________________

GIROZENTRALE BANK VIENNA

By: ____________________________

Title: _________________________

NATIONAL BANK OF CANADA

By: ____________________________

Title: _________________________

ALLSTATE PRIME INCOME TRUST

By: ____________________________

Title: _________________________

PILGRIM PRIME RATE TRUST

By: ____________________________

Title: _________________________

VAN KAMPEN MERRITT PRIME RATE
INCOME TRUST

BY: ____________________________

Title: _________________________

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Exhibit 4(x)

LANCER INDUSTRIES INC.
126 EAST 56TH STREET
NEW YORK, N.Y. 10022

(212) 644-8666
FAX (212) 644-2707

December 3, 1991

Westinghouse Credit Corporation
One Oxford Center
Pittsburgh, Pennsylvania 15219

Attn: Mr. Paul Cohn

Re: Third Amendment to the Note and Warrant Purchase Agreement dated as of July 18, 1990 (the "Amendment") between Lancer Industries Inc. (the "Company") and Westinghouse Credit Corporation (the "Purchaser").

Dear Paul:

Reference is hereby made to the Agreement. Unless otherwise defined in this Amendment or the context otherwise requires, terms used herein shall have the same meanings as such terms have in the Agreement.

Pursuant to Section 19 of the Agreement, the Purchaser and the Company have agreed to, and hereby, amend the definition of Restricted Payment, Section 11.3 (b) and Section 15 (h) of the Agreement as follows:

The definition of Restricted Payment shall be deleted in its entirety and the following definition shall be substituted therefor:

> "Restricted Payment: (i) Any declaration or payment of any dividend or other distribution, direct or indirect, on account of any shares of any class of stock of the Company now or hereafter outstanding, except a dividend payable solely in shares of stock of the Company or securities junior to the Notes, (ii) any redemption, retirement, purchase or other acquisition for value, direct or indirect, of any shares of any class of stock of the Company, now or hereafter outstanding, or of any warrants, options or other rights to acquire any such shares of stock of the Company, except insofar as the cumulative cash consideration for redemptions, retirements, purchases and other acquisitions of Class A preferred stock and of Class B preferred stock does

> not exceed $750,000 and to the extent that the cumulative cash consideration for Class A preferred stock and Class B preferred stock exceeds $750,000 or that any other consideration is paid, consideration therefor consists of shares of stock of the Company or of securities junior to the Notes or is out of the net cash proceeds received by the Company from a substantially concurrent sale of shares of stock of the Company or securities junior to the Notes (which securities junior to the Notes contain subordination provisions no less favorable than the terms with respect to the Senior Indebtness as set forth in Section 25), and (iii) any contributions to any of the Plans set forth on Exhibit C, but excluding contributions to the Plans or the ESOP which are required to be made in accordance with ERISA or the provisions of the Code, or which would not result in a material adverse change in the business, assets, operations or condition (financial or otherwise) of the Company or any ERISA Affiliate."

Section 11.3 (b) shall be deleted in its entirety and the following section shall be substituted therefor:

> "(b) The provisions of Section 11.3(a) shall not prevent the Company from (i) declaring, ordering, paying, making or setting apart any sum or property for any Restricted Payment consisting of payments of dividends (including the payment of accumulated dividends) with respect to, or the mandatory redemption of, shares of the Company's Series C Exchangeable Preferred Stock, par value $0.01 per share provided that the proceeds of the Notes are not utilized for such purpose, or (ii) redeeming any shares of Class A and Class B preferred stock of the Company provided that any funds in excess of $750,000 used to effect any such redemption are derived from the issuance of securities of the Company which are junior in right of payment to the Notes."

Section 15(h) shall be deleted in its entirety and the following section shall be substituted therefor:

> "(h) if the Company or any Material Subsidiary other Kane Industries, Inc. and its subsidiaries shall (i) be generally not paying its debts as they become due, (ii) file, or consent by answer or

otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency or similar law of any jurisdiction, (iii) make anassignment for the benefit of its creditors, (iv) apply for or consent to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) be adjudicated insolvent or be liquidated under any bankruptcy or insolvency law or (vi) take corporate action for the purpose of any of the foregoing; or"

Except as modified by this Amendment, the Agreement shall remain in full force and effect in accordance with its terms.

Kindly acknowledge your agreement to this Amendment by signing in the space provided below.

By: ____________________
Angus C. Littlejohn, Jr.
Chief Financial Officer
Lancer Industries Inc.

Accepted and Agreed to
Westinghouse Credit Corporation

By Paul D Cohn
Name: Paul D. Cohn
Title: Investment Manager
Date: December 9, 1991

J

J
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

Quarterly Report Under Section 13 of 15(d)
of the Securities Exchange Act of 193

RECD S.E.C.
MAY 15 1992
148

For Quarter Ended March 31, 1992

(Mark One)

XXX QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

_____ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to

BEST COPY AVAILABLE

Commission file number 33-25402-A

LANIER BANKSHARES, INC.
(Exact name of registrant as specified in its charter)

GEORGIA
(State of Other Jurisdiction of Incorporation or Organization)

58-1814713
(I.R.S. Employer Identification No.)

854 WASHINGTON STREET, GAINESVILLE, GEORGIA
(Address of Principal Executive Offices)

30501
(Zip Code)

(404) 536-2265
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO _____.

CLASS	OUTSTANDING AT APRIL 24, 1992
Common Stock, $1.00 par value	525,239 shares

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LANIER BANKSHARES, INC. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

ASSETS	3/31/92	12/31/91
CASH AND DUE FROM BANKS	1,930,705	1,490,799
FEDERAL FUNDS SOLD	4,800,000	5,400,000
INTEREST BEARING DEPOSITS W/ OTHER BANKS	200,000	250,000
INVESTMENT SECURITIES	7,892,753	6,327,758
BANKERS ACCEPTANCES	0	500,372
LOANS	26,549,680	25,576,325
LESS: ALLOWANCE FOR LOAN LOSS	365,233	370,117
NET LOANS	26,184,447	25,206,208
PREMISES & EQUIPMENT, NET	2,598,428	2,617,341
OTHER ASSETS	605,985	499,009
TOTAL ASSETS	44,212,318	42,291,487
LIABILITIES & STOCKHOLDERS' EQUITY		
DEPOSITS:		
DEMAND	3,086,185	4,448,441
INTEREST-BEARING DEMAND	9,941,767	7,756,766
SAVINGS ACCOUNTS	2,911,750	2,220,297
CD'S LESS THAN 100M	14,463,540	13,757,989
CD'S GREATER THAN 100M	8,260,978	8,540,168
TOTAL DEPOSITS	38,664,220	36,723,661
OBLIGATIONS UNDER CAPITAL LEASE	110,012	119,175
ACCRUED LIABILITIES	517,812	575,489
TOTAL LIABILITIES	39,292,043	37,418,325
MINORITY INTEREST	24,246	24,577
COMMON STOCK	525,239	525,239
PAID IN SURPLUS	4,727,151	4,727,151
ACCUMULATED EARNINGS (DEFICIT)	(356,361)	(403,805)
TOTAL STOCKHOLDERS' EQUITY	4,896,029	4,848,585
TOTAL LIABILITIES & CAPITAL	44,212,318	42,291,487

LANIER BANKSHARES, INC. & SUBSIDIARIES
STATEMENT OF OPERATIONS
CONSOLIDATED
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31 1992	 1991
INTEREST INCOME:		
FEES ON LOANS	687,096	622,767
FED FUNDS SOLD	42,391	22,287
DEPOSITS WITH OTHER BANKS	5,277	0
INVESTMENT ON SECURITIES	163,616	128,588
TOTAL INTEREST INCOME	898,380	773,642
INTEREST EXPENSE:		
INTEREST ON DEPOSITS	511,848	486,566
BORROWINGS	3,045	0
TOTAL INTEREST EXPENSE	514,893	486,566
PROVISION FOR LOAN LOSS	20,000	45,000
NET INTEREST INCOME	363,487	242,076
OTHER INCOME	93,172	37,741
TOTAL OTHER INCOME	93,172	37,741
OTHER EXPENSES:		
SALARIES AND EMPLOYEE BENEFITS	193,163	155,646
OTHER OPERATING	216,324	146,752
TOTAL OTHER EXPENSES	409,486	302,398
INCOME TAXES	60	0
NET EARNINGS (LOSS)	47,113	(22,580)
MINORITY INTEREST IN NET EARNINGS	331	0
	47,444	(22,580)

LANIER BANKSHARES, INC. & SUBSIDIARIES
STATEMENT OF CHANGES IN FINANCIAL POSITION-CASH BASIS
CONSOLIDATED
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31	
	1992	1991
CASH FROM OPERATIONS:		
NET INCOME (LOSS)	47,444	(22,580)
NET EARNINGS (LOSS) IN MINORITY INTEREST IN SUBSIDIARY	(331)	0
DEPRECIATION AND AMORTIZATION	51,620	43,397
PROVISION FOR LOAN LOSS	20,000	45,000
INCREASE IN OTHER ASSESTS	(114,070)	(47,716)
DECREASE IN LIABILITIES	(57,677)	89,682
NET CASH PROVIDED (USED) FROM OPERATIONS	(53,015)	107,783
CASH FROM INVESTMENTS:		
PURCHASES OF PREMISES AND EQUIPMENT	(25,613)	52,538
NET PURCHASES OF INVESTMENTS SECURITIES	(1,014,623)	57,719
NET INCREASE IN LOANS	(998,239)	(2,234,668)
NET CASH IN INVESTING	(2,038,475)	(2,124,411)
NET INCREASE IN DEPOSITS	1,940,559	4,197,711
PROCEEDS FROM COMMON STOCK ISSUED	0	0
REPAYMENT OF CAPITAL LEASE OBLIGATIONS	(9,163)	0
NET CASH FROM FINANCING	1,931,396	4,197,711
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENT	(160,093)	2,181,083
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,890,799	2,387,871
	6,730,706	4,568,954

LANIER BANKSHARES, INC. AND SUBSIDIARY
Notes to Condensed Consolidated Financial Statements

Summary of Significant Accounting Policies

Incorporation and Operations

Lanier Bankshares, Inc. (Company) was incorporated on November 3, 1988. The Company was incorporated for the purpose of forming Lanier National Bank (Bank), a wholly-owned subsidiary, and conducting business as a bank holding company in Georgia. From the date of incorporation to August 1, 1989, activities of the Company were substantially devoted to the formation of the business, securing banking facilities and related matters..

The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investment Securities

Investment securities are carried at cost, adjusted for amortization of premiums and accretion of discounts. The Company has the ability to hold these securities to maturity and the intent to hold them for the foreseeable future. From time to time, the Company may decide to sell certain securities prior to maturity for liquidity, tax planning, and other valid business purposes. Gains and losses are determined using the specific identification method when securities are sold.

Loans

Loans are reported at principal amount outstanding, net of the allowance for loan losses. Interest on all loans is calculated by using the simple interest method on the daily balance of the principal amount outstanding.

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance represents an amount which, in management's judgement, will be adequate to absorb probable losses on existing loans that may become uncollectible.

Management's judgement in determining the adequacy of the allowance is based on evaluations of the collectibility of loans. These evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, current economic conditions that may affect the borrower's ability to pay, overall portfolio quality, and review of specific problem loans.

The Company does not record interest income, unless approved by the Board of Directors, on loans for which reasonable doubt exists as to the full, timely collection of interest or principal. Interest previously accrued but not collected is reversed against current period interest income when such loans are placed on nonaccrual status.

Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly their consolidated financial position as of March 31, 1992 and December 31, 1991 and the consolidated results of their operations for the three months ended March 31, 1992 and March 31, 1991 and their cash flows for the three month period ended March 31, 1992 and March 31, 1991.

Premises and Equipment

Premises and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred, whereas significant renewals and betterments are capitalized.

Net Loss Per Share

Net loss per share is calculated by dividing net loss by the weighted average number of shares outstanding during the period.

Income Taxes

For tax purposes, the Company has a loss carryforward in the amount of approximately $356,000 that may be offset against future taxable income. For financial reporting, an additional carryforward is available because a deferred tax benefit could not be recognized for temporary differences of approximately $63,000. The carryforward for tax purposes as well as financial reporting purposes expires beginning in 2004.

Loans and Allowance for Loan Losses

Loans are carried at the principal amount outstanding. Interest is accrued on a simple-interest basis.

The Company provides for loan losses by charges to current operations in amounts sufficient to maintain the allowance at an adequate level based on factors which, in management's judgement, affect the collectibility of the loans.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere herein. The consolidated financial statements of the Company represent account balances for Lanier Bankshares, Inc. and Lanier National Bank (the "Bank") as of and for the quarter ended March 31, 1992.

Results of Operations

Net Loss

In the three months between January 1, 1992 and March 31, 1992, the Bank generated $383,487 in net interest income and a net margin of 4.02% as compared to $287,076.00 in net interest income and a net margin of 4.06% for the same period in the preceeding year. The bank generated income of $47,444 or $.09 per share during the first quarter of 1992, as compared to a loss of $22,580 or $.043 per share for the 1991 period. Most new banks sustain a loss in the first few years of operations, and the amount of growth in 1992 is well within the expectations of the organizers.

The Bank's earnings depend primarily on its net interest income, which is the difference between the interest income it derives from its assets (consisting primarily of loans and investment securities) and the interest expense it pays on its liabilities (its deposits). Net interest income is a function of (1) the difference between rates of interest earned on interest-earning assets and rates paid on interest- bearing liabilities (the interest rate spread) and (2) the relative amounts of its interest-earning assets and interest-bearing liabilities, any positive interest rate spread will generate net interest income.

Net interest income was $383,487 for the quarter ended March 31, 1992, as compared to $287,076 for the 1991 period. For the first quarter, 1992, interest income was $898,380, while interest expense was $514,893. For the first quarter, 1992, interest expense was 57.3% of interest income, as compared to 62.9% for the 1991 period. Average earning assets for the first quarter, 1992 were $38,130,583, having weighted average yield of 9.42% and a cost of related liabilities of $514,893 or 5.40%, resulting in a net interest margin of 4.02% for 1992.

Other Income and Expense

Total other income, consisting primarily of service charges on deposits and insurance commissions, was $93,172 for the quarter March 31, 1992. Other expenses, consisting of Regulatory and FDIC insurance fe s, data processing, occupancy and other miscellaneous expenses, was $216,324.

Provision for Income Taxes

No federal income tax is payable for the period ended March 31, 1992 due to net operating loss of approximately $556,000 for which no benefit has been provided. This net operating loss carryforward will be available to offset future taxable income, if any, and expires beginning in 2004.

Provision for Loan Losses

The Office of the Comptroller of the Currency (the "OCC"), the Bank's primary regulatory authority, presently requires the Bank to maintain a reserve equal to at least one percent (1%) of all outstanding loans until a historical trend can be established. This reserve is used to cover any future loan losses. During first quarter, 1992, the Bank sustained $33,018 in losses on its loan portfolio. The remaining balance of this reserve at March 31, 1992 was $365,233.

Financial Condition

The Bank had at December 31, 1991 total assets of $42,211,879 and total deposits of $36,723,661 and at March 31, 1992 had total assets of $42,212,318 and total deposits of $38,664,220. The average total assets of the Company increased from $42,291,000 on December 31, 1991 to $44,212,000 on March 31, 1992 and averaged $43,251,500.

Capital Requirements

The Company's regulatory authorities require the Bank to maintain a capital to asset ratio of not less than 6%. At March 31, 1992, the Bank's capital to asset ratio was 11.07%. The Company's policy is to maintain above average capital to support future growth.

Liquidity

Liquidity represents the Company's ability to meet both loan commitments as well as deposit withdrawals. The OCC has approved the Company's policy to maintain a minimum liquidity ratio (defined as liquid assets less volatile liabilities as a percentage of total assets) of 3%. As of March 31, 1992, the Company's liquidity ratio was 7.25%. This liquidity level was due, primarily, to the unusually high loan demand of the first quarter of 1992. The Company is in the process of restricting loan growth and acquiring funds through deposit growth.

The principal sources of funds for the Company are increases in deposits, other borrowing and cash received at maturity from investment securities. In the first quarter of 1992, the Company realized a net increase in deposits of $1,940,559. Cash flows were invested as follows: Investments, net of maturities, $1,014,623; loans $998,239; and bank premises and equipment $25,613. Increases in demand deposits and small denomination certificates of deposit are expected to be the major source of funds provided during 1992. This is anticipated to be accomplished through marketing of the Bank;s products and services to the small business, professional and consumer markets of Hall County. The Company has no plans for additional stock offering or borrowings from outside sources to fund its growth during 1992.

Effects of Inflation and Changing Prices

Although inflation affects the growth of total assets, it is difficult to measure its impact precisely. Inflation can impact adequacy measurement by affecting capital ratios. Net income also can be afrected, but there is no simple way to measure it effect on the various types of income and expense. Interest rates, in particular, are significantly affected by inflation, but neither the timing nor the magnitude of interest rate changes coincides with changes in the Consumer Price Index.

LANIER BANKSHARES, INC. AND SUBSIDIARY

Part II. Other Information

Item 3. Exhibits and Reports on Form 8-K

(A) Exhibits filed, none applicable

(B) Reports on Form 8-K, not applicable

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on behalf of the undersigned thereunto duly authorized.

JOSEPH D. CHIPMAN, JR.
President and
Chief Executive Officer
(Principal Executive Officer)

5-14-92
DATE

JEFFREY D. HUNT
Senior Vice President-Operations
(Principal Financial and Accounting Officer)

5-14-92
DATE

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1992 or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from __________ to _____

BEST COPY AVAILABLE

Commission file number 0-18395

LEVY BANCORP
(Exact name of registrant as specified in its charter)

California	95-2573381
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2575 Vista Del Mar Drive, Ventura, California 93001
(Address of principal executive offices)

Registrant's telephone number, including area code (805) 656-2575

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

Yes x No ____

As of March 31, 1992, there were issued and outstanding 2,862,501 shares of the issuer's Common Stock.

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

Levy Bancorp & Subsidiary

Consolidated Balance Sheet

(unaudited)

(Dollars in thousands)	March 31 1992	December 31 1991
Assets		
Cash and due from banks – demand	$ 43,527	$ 45,818
Securities purchased under agreements to resell	---	5,000
Federal funds sold	36,500	25,000
Interest–bearing deposits with financial institutions	20,000	44,906
Total cash and cash equivalents	100,027	120,724
Investment securities (approximate market value of $243.4 million, and $239.5 million at March 31, 1992, and December 31, 1991, respectively)	240,820	234,885
Loans, net of unearned discount	479,879	480,527
Less: allowance for loan losses	(7,706)	(7,212)
Net loans	472,173	473,315
Real estate held for sale or investment	18,538	17,167
Premises and equipment, net of accumulated depreciation and amortization	19,581	19,011
Accrued interest receivable	5,661	5,467
Due From Resolution Trust Corporation	---	35,199
Other assets	12,272	9,450
Total assets	$ 869,072	$ 915,218
Liabilities and Shareholders' Equity		
Deposits:		
Demand deposits	$ 97,866	$ 109,071
Interest–bearing demand and savings	354,916	335,482
Time deposits over $100,000	113,335	124,178
Other time deposits	229,948	263,559
Total deposits	796,065	832,290
Securities sold under agreement to repurchase	---	2,505
Due to Resolution Trust Corporation	---	6,585
Accrued expenses and other liabilities	8,320	9,842
10.55% senior notes	10,833	10,833
Total liabilities	815,218	862,055
Shareholders' equity:		
Preferred stock, $0.125 par value per share:		
Authorized – 10,000,000 shares as of March 31, 1992 and December 31, 1991		
Outstanding – 1,154,904 shares as of March 31, 1992 and December 31, 1991	144	144
Common stock, no par value:		
Authorized – 10,000,000 shares as of March 31, 1992 and December 31, 1991		
Outstanding – 2,862,501 shares as of March 31, 1992 and 2,900,441 shares as of December 31, 1991	16,402	17,066
Retained earnings	37,308	35,953
Total shareholders' equity	53,854	53,163
Total liabilities and shareholders' equity	$ 869,072	$ 915,218

The accompanying notes are an integral part of these statements.

Levy Bancorp & Subsidiary

Consolidated Statement of Income

(unaudited)

(Dollars in thousands)	1st Quarter 1992	4th Quarter 1991	1st Quarter 1991
Interest Income			
Interest and fees on loans	$11,429	$12,535	$12,521
Interest on federal funds sold	345	776	474
Interest on securities purchased under agreements to resell	42	19	5
Interest on deposits with financial institutions	294	323	199
Taxable interest on investment securities	3,847	3,398	1,555
Non-taxable interest on investment securities	512	519	553
Settlement interest income from the Resolution Trust Corporation	---	905	---
	16,469	18,475	15,307
Interest Expense			
Interest on deposit accounts:			
Interest-bearing demand and savings	2,595	2,689	2,466
Time deposits over $100,000	1,660	1,782	1,922
Other time deposits	3,623	5,017	2,685
Interest on 10.55% senior notes	286	286	343
Interest on other borrowed funds	12	47	24
	8,176	9,821	7,440
Net interest income	8,293	8,654	7,867
Provision for loan losses	427	344	576
Net interest income after provision for loan losses	7,866	8,310	7,291
Other Operating Income			
Service charges on deposit accounts and other fees	1,949	1,612	1,714
Trust department income	637	852	593
Other income	263	223	295
	2,849	2,687	2,602
Other Operating Expense			
Salaries and employee benefits	3,581	3,425	3,487
Equipment expense	524	760	516
Occupancy, net of rental income	698	712	608
Professional services	698	1,081	783
Facilities management expense	717	713	760
Advertising and public relations	160	323	205
Insurance	576	412	359
Stationery and supplies	201	372	205
Cash shortages and operating losses	69	196	78
Net (gain) loss on sale of securities	---	---	---
Other expense	1,002	1,028	786
	8,226	9,022	7,787
Income before income taxes	2,489	1,975	2,106
Federal and state income taxes	835	634	637
Net income	$1,654	$1,341	$1,469
Average common shares outstanding	2,883,764	2,900,441	2,895,613
Net income per common share	$0.57	$0.46	$0.51

The accompanying notes are an integral part of these statements.

Levy Bancorp & Subsidiary

Consolidated Statement of Cash Flows

(unaudited)

(Dollars in thousands)	Quarter ended March 31 1992	Quarter ended March 31 1991
Operating Activities		
Net income	1,654	1,469
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	427	576
Provision for depreciation and amortization	799	514
Amortization (accretion) of investment securities premiums (discounts)	196	130
Provision for deferred income taxes	365	(284)
Interest Capitalized on ADC loans	(116)	(148)
Change in interest payable and other liabilities	(1,852)	(476)
Change in interest receivable and other assets	(3,265)	1,048
Change in amounts due from/to Resolution Trust Corp.	28,944	---
Gain on sale of branch and other assets	---	(166)
Net cash provided (used) by operating activities	27,152	2,663
Investing Activities		
Proceeds from investment securities that matured or were called	37,085	22,529
Purchases of interest-bearing cash accounts and investment securities	(43,216)	(23,797)
Net (increase) decrease in loans	715	(5,952)
Net change in real estate held for investment	(1,371)	(2,731)
Proceeds on sales of branch and other assets	---	235
Investment in premises and equipment	(1,369)	(762)
Net cash applied to investing activities	(8,156)	(10,478)
Financing Activities		
Net change in demand deposits and savings accounts	8,229	(1,152)
Change in certificates of deposit	(44,454)	4,736
Change in repurchase agreements sold	(2,505)	(1,397)
Change in treasury, tax and loan note	---	(411)
Proceeds from sale of Common Stock	---	114
Repurchase of Common Stock	(664)	---
Cash dividends	(299)	(254)
Net cash provided by financing activities	(39,693)	1,636
Increase in cash and cash equivalents	(20,697)	(6,179)
Cash and cash equivalents at beginning of quarter	120,724	88,255
Cash and cash equivalents at end of quarter	100,027	82,076

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Levy Bancorp

1. Summary of Significant Accounting Policies

General: The accounting and reporting policies of Levy Bancorp (the "Company") and its wholly-owned subsidiary, Bank of A. Levy (the "Bank"), are in accordance with generally accepted accounting principles and conform to general practices within the banking industry. The consolidated financial statements are prepared generally on the accrual basis of accounting with all income and expense items accrued to the respective statement dates. Service charges and trust fees are generally recognized as income when received, which has not resulted in a material difference had such income been recorded on an accrual basis.

In preparing the financial statements, Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. Management believes that the allowances for losses on the loans and the valuation of real estate owned are adequate. While Management uses available information to recognize losses on loans and real estate owned, future additions to the allowance may be necessary based on changes in economic conditions.

Basis of Presentation: The Company accounts for its investment in the Bank using the equity method of accounting. The consolidated financial statements include the accounts and results of operations of the Company and the Bank. All material intercompany accounts and transactions have been eliminated. The data is unaudited but, in the opinion of Management, reflects all accruals and adjustments which are of a normal and recurring nature and necessary for fair presentation of the Company's financial condition and results of operations at the dates and for the periods indicated. Certain amounts from prior statements have been restated to conform with the current presentation.

The results of operations for the three month period ending March 31, 1992 are not necessarily indicative of the results which may be expected for the full year of 1992. This report should be read in conjunction with the Company's 1991 Form 10-K.

Investment Securities: Investment securities are carried at cost adjusted for accretion of discounts or amortization of premiums. Gains and losses on sales of investment securities are recorded as the difference between the net sales proceeds and the carrying amount, using the specific identification method.

It is the Bank's intent to hold to maturity its portfolio of investment securities at March 31, 1992 as a part of its portfolio of long term interest earning assets. The Bank's intent to hold securities is based upon an evaluation of the probability of the occurrence of future events. If such events differ in a substantial measure from the Bank's forecast, the Bank's intent to hold investment securities to maturity may be reevaluated.

The balance of investment securities includes the Bank's interest in certain direct financing leases of equipment. Direct financing leases are recorded at the net minimum lease payments to be received plus the estimated unguaranteed residual values of the leased property at the end of the lease term, reduced by unearned income. Unearned income is recognized over the lease term so as to produce a constant periodic rate of return on the net investment in the lease and is included in interest income on investment securities.

Loans and Allowance for Loan Losses: Loans are recorded in the financial statements at face value less payments received, deferred loan fees net of direct loan origination costs, and unearned interest on discounted loans. Loan losses are charged to the allowance for loan losses, and recoveries are credited to the allowance. Provisions for loan losses charged to operating expense are based on experience adjusted for other factors affecting the collectibility of loans that in Management's judgement deserve recognition. The net deferred fees and costs are recognized in interest and fees on loans over the loan term using methods which generally produce a level yield on the unpaid loan balance.

Interest on loans is accrued monthly as earned, except where a reasonable doubt exists as to collectibility of the interest, in which case, the accrual of income is discontinued. Loans are generally placed on a non-accrual basis, and previously accrued interest is reversed, when the loan becomes 90 days past due as to principal or interest, or when, in Management's opinion, the full timely collection of interest or principal becomes uncertain.

Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are charged to expense over the estimated useful lives of the assets by use of accelerated and straight-line methods of depreciation.

Real Estate Held for Sale or Investment: Real estate held for sale or investment consists of both acquisition, development, and construction loans ("ADC loans") and foreclosed properties. Foreclosed real estate is recorded at the lower of cost or fair value. At the time of foreclosure, any excess of cost over fair value is charged to the allowance for loan losses. Gains and losses realized on sale are included in other operating income or expense.

Construction loans in which the Bank participates in expected residual profits are classified as ADC loans, and are accounted for as real estate held for investment. Interest and carrying charges related to certain properties held for development are capitalized through the construction period, whereas costs related to holding properties are expensed as incurred.

Earnings per Share: Earnings per share are computed based on the weighted average number of shares of common stock outstanding during the period.

2. Acquisition

Effective September 27, 1991 the Bank assumed approximately $234 million in deposits and acquired approximately $153 million in loans together with other operating assets and liabilities of Santa Paula Savings and Loan Association ("Santa Paula"), which was held in receivership by the RTC. In accordance with the purchase method of accounting, the deposits and other liabilities assumed and the assets acquired have been recorded at their fair values as of the acquisition date. Of the loans originally acquired, approximately $88 million were put back to the RTC at various dates under the provisions of the purchase and assumption agreement. The loan puts were effective September 27, 1991 and bear settlement interest from that date at 100 basis points over effective Treasury rates. The interest-bearing receivables related to the loan puts, together with accrued interest, totaled approximately $35 million at December 31, 1991 and are shown as "Due From Resolution Trust Corporation" on the balance sheet. As of March 31, 1992 the Bank has received payment for all amounts due from the RTC included in the December 31, 1991 balance. In connection with the transition period subsequent to the acquisition date, the Bank received loan payments on behalf of the RTC, including payments on the loans put back to the RTC as well as on certain loans retained by the RTC that are serviced by the Bank. These loan payments together with amounts determined through reconciliations of the items passed to the Bank on the acquisition date totaled approximately $6.5 million at December 31, 1991 and are shown as "Due To Resolution Trust Corporation" on the balance sheet. As of March 31, 1992 the Bank has paid all amounts due to the RTC included in the December 31, 1991 balance.

The Bank held approximately $157 million and $200 million of the original deposits assumed, and approximately $56.7 million and $58 million of the loans originally purchased as of March 31, 1992 and December 31, 1991 respectively.

The purchase premium paid in the transaction was $7.4 million, of which $3.4 million has been classified as core deposit intangible and $4 million has been allocated to loans to adjust their book value to the fair value as of the acquisition date. The core deposit intangible has an estimated weighted average life of approximately seven years. The Bank is amortizing this premium, which is included in the balance of other assets, over the estimated run-off period. Amortization expense of approximately $192,000 and $206,000 was charged to operations during the quarters ended March 31, 1992 and December 31, 1991 respectively.

The Company's Consolidated Statements of Income for the quarters ended March 31, 1992 and December 31, 1991 include the effect on the

Company's net earnings as a result of the Santa Paula acquisition from September 27, 1991. Since the Bank purchased and assumed certain assets and liabilities, and did not acquire the ongoing operations of Santa Paula, separate statements of earnings for Santa Paula for the periods subsequent to the acquisition date are not relevant.

The financial information necessary to prepare results of operations on a proforma basis as though the Bank had acquired Santa Paula as of January 1, 1990 or January 1, 1991 is not available. In addition, the effects of governmental intervention through the Office of Thrift Supervision and the retention of significant portions of the assets of Santa Paula by the RTC are so pervasive that proforma historical results of operations are of little relevance to an assessment of the ongoing operations of the Company.

3. Restricted Cash Balances

Aggregate reserves, in the form of deposits with the Federal Reserve Bank of approximately $10.4 million, were maintained to satisfy federal regulatory requirements at March 31, 1992.

4. Loans

The following is a summary of the major categories of loans at the dates indicated:

	March 31, 1992		December 31, 1991	
	Balance	Percent	Balance	Percent
	(in thousands of dollars)			
Real estate-construction	$ 85,146	17.74%	$ 84,499	17.58%
Real estate-other	211,645	44.08%	215,605	44.85%
Commercial	132,519	27.60%	127,630	26.55%
Installment	50,789	10.58%	53,034	11.03%
	480,098	100.00%	480,768	100.00%
Less: Unearned Discount	(219)		(241)	
Total	$479,879		$480,527	

5. Capital Stock

There were 2,862,501 and 2,900,441 shares of common stock and 1,154,904 shares of preferred stock outstanding at March 31, 1992 and December 31, 1991, respectively.

In May 1990, the Executive Committee of the Board of Directors authorized agreements to be issued pursuant to the Restricted Stock Plan (see "Restricted Stock Plan.") Under these agreements, up to 28,000 shares will be held in trust and will vest in 20% increments on December 31 each year from 1990 to 1994. The number of shares issued under the plan is based upon the return on equity of the Company at year end and vesting is contingent on the continued employment of the recipients at each vesting date. At December 31, 1991, 9,486 shares had been issued and 4,378 shares had vested. All of the 9,486 shares were issued during 1990. No shares were issued during the three month period ended March 31, 1992.

The Bank has a non-contributory Tax Qualified Profit Sharing Plan in which eligibility is the same for officers and employees. Based on employee elections made, participants in the Employee Profit Sharing Plan elected to use their funds to purchase newly issued Levy Bancorp Common Stock at market value. Through December 31, 1991, the Profit Sharing Plan had purchased a cumulative total of 41,167 newly issued shares of Levy Bancorp Common Stock at a cumulative cost of $755,124 or an average of $18.34 per share. At the election of the employees, 3,227 shares previously issued to the Profit Sharing Plan were sold on the open market through December 31, 1991 and the proceeds moved into alternative investments.

Due to the absence of active trading in the Company's stock, Management elected to discontinue the Profit Sharing Plan's investment in the Company's stock and to repurchase all shares held by the Profit Sharing Plan as of December 31, 1991. On February 21, 1992 the Company repurchased all of the 37,940 shares of Levy Bancorp Common Stock held by the employee Profit Sharing Plan for an estimated market value of $17.50 per share, or a total of $663,950. The repurchase price will be adjusted upon completion of an independent appraisal of the value of the stock.

6. Restricted Stock Plan

At the annual meeting of the shareholders of Levy Bancorp held on April 10, 1990, the shareholders voted to approve and adopt a Restricted Stock Plan (the "Plan") which had been approved by the Board of Directors at its meeting in January 1990. The purpose of the Plan is to enable the Company and the Bank to attract and retain the professional, technical and managerial employees essential to their long-range success. Under the terms of the Plan, the Executive Committee of the Board of Directors will select which employees to whom shares of restricted Common Stock will be issued, the number of shares to be issued and the purchase price, if any. All employees of the Company and the Bank will be eligible for participation in the Plan. The Shares to be issued as restricted stock shall be Common Stock in the Company and the current aggregate number of such shares which may be issued shall not exceed 500,000. Restricted stock shall be issued pursuant to a written restricted stock agreement between the Company and the selected employee. That agreement shall contain such conditions as are deemed appropriate by the Executive Committee. Conditions may include subjection of the restricted stock to the risk of forfeiture upon termination of employment of the employee and elimination of the risk of forfeiture upon a change in control of the Company. Upon issuance, shares of restricted stock shall be delivered to an escrow holder and the certificates representing such shares shall contain a legend setting forth the restrictions placed thereon. The escrow holder shall hold the stock until such time as all the restrictions imposed under the Restricted Stock Agreement have expired or been removed or the stock is forfeited. The restricted stock may not be sold or encumbered by the shareholder until all conditions and restrictions have expired or been removed. The employee to whom restricted stock is issued shall have the right to vote such shares and receive all dividends or other distributions paid or made with respect to such restricted shares.

7. Statement of Cash Flows

Levy Bancorp has adopted the indirect method of reporting cash flows by showing major classes of cash receipts and payments. For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, securities purchased under agreements to resell, and Federal Funds sold. Generally, Federal Funds sold are sold for one day periods, and interest bearing deposits with financial institutions mature within three months. The following table summarizes the approximate amounts of interest and taxes paid by Levy Bancorp and the Bank during the periods presented:

	Three Months Ending March 31,		Twelve Months Ending December 31,
	1992	1991	1991
Interest Paid	$8,175,000	$7,322,000	$28,900,000
Taxes Paid	$ 900,000	$ 750,800	$ 2,400,000

On January 21, 1992 the Company declared dividends of $.10 per share of Common Stock and $.0075 per share of Preferred Stock, or $298,706, which was paid on February 21, 1992.

8. Subsequent Event

On April 10, 1992 the Bank acquired certain assets and all deposit liabilities of two branches of Valley Federal Savings and Loan Association ("Valley Federal") from American Savings Bank, F. A., a Federal Savings Bank ("American Savings"), pursuant to a Deposit Acquisition Agreement. American Savings acquired substantially all of the assets and liabilities of Valley Federal from the Resolution Trust Corporation as receiver for Valley Federal ("RTC") pursuant to a Purchase and Assumption Agreement on April 10, 1992. The Bank entered into an Agency Agreement with American Savings in connection with the temporary management of the two branch locations. The Deposit Acquisition Agreement and the Agency Agreement are subject to the terms of the Standard Terms of Purchase and Assumption ("Standard Terms") executed between the RTC and American Savings.

In connection with the assumption of the deposit liabilities, the Bank received approximately $95.4 million in cash from American Savings which represented (i) approximately $96.3 million of deposit liabilities including accrued interest less, (ii) $360,000 deposit premium paid for the deposits and (iii) approximately $500,000 of assets related to the deposit accounts. The deposit premium will be amortized over the estimated run-off period, which has a weighted average life of seven years, using an accelerated method.

In connection with the deposit acquisition the Bank received options to purchase the former branch locations of Valley Federal. The Bank does not intend to exercise these options and expects to consolidate the acquired account relationships into its existing operations by June 30, 1992.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

Assets

The Company's total assets of $869.1 million at March 31, 1992 reflected a $46.1 million, or 5.04% decrease in total assets from the $915.2 million at December 31, 1991. The decrease in total assets was principally the result of deposit run-off related to the Santa Paula Savings acquisition. Time deposits decreased by $44.5 million from $387.7 million at December 31, 1991 to $343.3 million at March 31, 1992 as rates paid to Santa Paula customers were brought in line with market. Demand deposits decreased by $11.2 million during the same period.

Cash and Cash Equivalents

Cash and cash equivalents decreased by $20.7 million, or 17.14%, between December 31, 1991 and March 31, 1992 mainly due to the anticipated run-off and liquidation of a portion of the Santa Paula deposits assumed from the RTC and the increase in investment securities. Settlement of $35.2 million of receivables due from the RTC generated additional cash to fund deposit run-off.

Investment Securities

Investment securities increased by approximately $5.9 million or 2.53% from $234.9 million at December 31, 1991 to $240.8 million at March 31, 1992. Funds were moved from cash and cash equivalents into short term investment securities as deposit run-off began to taper off.

Loans

Loans decreased $1.1 million, or .24%, to $472.2 million at March 31, 1992 from $473.3 million at December 31, 1991. This decrease reflects the results of the continued local economic slowdown and corresponding lack of demand for new loans. The composition of the loan portfolio changed only slightly with real estate loans decreasing from 62.42% to 61.82% and commercial loans increasing from 26.55% to 27.60% at December 31, 1991 and March 31, 1992 respectively. Consumer loans were 11.03% and 10.58% of the loan portfolio at December 31, 1991 and March 31, 1992. The ratio of loans to deposits at March 31, 1992 increased to 60.3% from 57.7% at December 31, 1991 primarily as a result of the decrease in deposit liabilities during the three months ended March 31, 1992.

Nonperforming Loans

The ratio of nonperforming loans to total loans and ADC loans increased to 6.14% at March 31, 1992 from 6.02% at December 31, 1991. Nonperforming assets, which includes real estate owned and insubstance foreclosures, increased to $32.4 million, or 6.51% of the aggregate of Total Loans and Real Estate held for Sale or Investment at March 31, 1992 from $29.7 million, or 5.98%, at December 31, 1991. The increase is due to a $2.2 million increase in loans placed on nonaccrual status and a net $500 thousand increase in real estate owned and insubstance foreclosures. Loans 90 days or more delinquent excluding loans on non-accrual status decreased to $111,000 at March 31, 1992 from $138,000 at December 31, 1991. The increases in nonperforming assets have resulted from the general economic downturn and are to be expected as customers of the Bank cannot insulate themselves from statewide and national economic trends. The increases were not unforeseen, and the Bank is actively managing its problem loans and continuing to work with its borrowers to resolve the situations which invariably occur in this phase of the economic cycle.

Real Estate Held For Sale or Investment

Real Estate Held For Sale or Investment consists of ADC loans, insubstance foreclosures and foreclosed properties. The balance of ADC loans increased by approximately $900 thousand due to draws on existing loans. The following is a summary of real estate held for sale or investment:

	March 31, 1992	December 31, 1991
	(dollars in thousands)	
Acquisition, Development and Construction (ADC) loans	$14,244	$13,362
Loans in insubstance foreclosure	2,209	2,418
Real estate acquired through foreclosure	2,085	1,387
	$18,538	$17,167

Cumulative capitalized interest costs on qualifying real estate and ADC loans amounted to approximately $1,372,000 and $1,255,000 as of March 31, 1992 and December 31, 1991 respectively.

Due From Resolution Trust Corporation

As more fully described in Item 1, Note 2, the Bank put back to the RTC certain loans acquired in connection with the acquisition of certain assets and assumption of certain liabilities of Santa Paula. As a result of the loan puts, receivables in the amount of approximately $35 million were due from the RTC at December 31, 1991. Due From Resolution Trust Corporation decreased to $0 at March 31, 1992 as these receivables were settled in full during the three months ended March 31, 1992.

Liabilities

The decrease in liabilities of $46.8 million, or 5.43%, to $815.2 million at March 31, 1992 from $862.1 million at December 31, 1991 is principally the result of a $36.2 million or 4.35% decrease in deposits and the settlement of all amounts due to the Resolution Trust Corporation, which totaled $6.6 million at December 31, 1991, during the three month period ended March 31, 1992. See Item 1, Note 2 for further information regarding the Santa Paula acquisition.

The decrease in deposit liabilities to $796.1 million at March 31, 1992 from $832.3 million at December 31, 1991 is primarily a result of the anticipated run-off of a portion of the Santa Paula deposits assumed from the RTC. Deposits also decreased as a result of a decline in interest rates which caused depositors to seek higher-yield investments. Noninterest-bearing demand deposits decreased $11.2 million from $109.1 million, or 13.1% of total deposits, at December 31, 1991 to $97.9 million, or 12.29% of total deposits, at March 31, 1992. Interest-bearing demand and savings deposits increased from $335.5 million to $354.9 million, and from 40.31% to 44.58% of total deposits, at December 31, 1991 and March 31, 1992 respectively. Time deposits over $100,000 decreased to $113.3 million from $124.2 million and increased from 14.24% to 14.92% of total deposits at December 31, 1991 and March 31, 1992. Other time deposits decreased from $263.6 million to $230.0 million and represented 31.67% and 28.89% of total deposits at December 31, 1991 and March 31, 1992 respectively.

Capital

Retained earnings increased approximately $1.36 million or 3.77% to $37.3 million at March 31, 1992. Common Stock decreased by approximately $664,000 or 3.89% to $16.4 million at March 31, 1992 from $17.1 million at December 31, 1991 as a result of the repurchase of all shares from the Employee Savings Plan as more fully described in Item 1, Note 5. Common shares outstanding at March 31, 1992 decreased to 2,862,501 from 2,900,441 at December 31, 1991 as a result of the repurchase of shares from the Employee Savings Plan.

At March 31, 1992 and December 31, 1991 the Company and the Bank were in compliance with all existing capital regulations and with those announced to take effect at the end of 1992.

RESULTS OF OPERATIONS

Net Income

Net income for the first quarter of 1992 of $1.65 million was up 12.24% from the $1.47 million reported during the same period in 1991 and up 23.13% from the $1.34 million earned in the fourth quarter of 1991.

Net Interest Margin

The net interest margin decreased to 3.75% for the three months ended March 31, 1992, compared to 4.80% and 4.41% respectively for the three and twelve month periods ended March 31, 1991 and December 31, 1991 as a result of the Bank's asset sensitive balance sheet and the further decline in interest rates during the first quarter of 1992. The majority of the loans in the Bank's portfolio are floating rate loans whose rates are tied to such short term interest rates as prime and the one year constant maturity treasury ("one year CMT.") As rates declined during the periods presented, the rates on the Bank's assets declined at a faster rate than the rates on the Bank's liabilities. The net interest margin was further impaired by an increased level of nonperforming assets which grew from $29.7 million at December 31, 1991 to $32.4 million at March 31, 1992.

	For the Three Months Ended March 31,		For the Twelve Months Ended December 31,
	1992	1991	1991
Yield on Interest-earning Assets	8.39%	10.77%	9.84%
Rate on Interest-bearing Liabilities	4.51%	5.99%	5.39%
Net Interest Spread[1]	3.88%	4.78%	4.45%
Net Interest Margin[2]	3.75%	4.80%	4.41%

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[1] The net interest spread is the arithmetic difference between the average yields on interest-earning assets and the average rates on interest-bearing liabilities without giving effect to the relative balances of the underlying assets and liabilities.

[2] The annualized net interest income for a period divided by the average total assets for that period.

Allowance for Loan Losses

The allowance for loan losses as a percentage of total loans and ADC loans has increased from 1.46% at December 31, 1991 to 1.56% at March 31, 1992 increasing the Bank's ability to absorb unanticipated loan losses. Net charge-offs of $175,000 for the three months ended March 31, 1992 decreased by $373,000 from $548,000 for the same period in 1991 due primarily to a recovery of approximately $500,000 on a single commercial loan. The following table shows amounts charged off by loan category.

Allowance for Loan Losses
(dollars in thousands)

	Quarter Ended		
	3/31/92	12/31/91	3/31/91
Balance, beginning of period	$7,212	$7,193	$5,841
Charge-offs:			
Commercial	845	329	556
Real Estate	0	0	0
Installment	204	157	134
Total Charge-offs	1,049	486	690
Recoveries:			
Commercial	868	236	130
Real Estate	0	0	0
Installment	6	32	12
Total Recoveries	874	268	142
Net Charge-offs	175	218	548
Allowance related to acquired loans	242	(107)	---
Provision Charged to Operations	427	344	576
Balance, end of period	$7,706	$7,212	$5,869

Other Operating Income

Other operating income for the three months ended March 31, 1992 increased to $2.8 million from $2.7 million in the quarter ended December 31, 1991. The increase consisted of a $300 thousand increase in service charges and other fee income net of a $200 thousand decrease in trust department income. The increase in other operating income from $2.6 million in the quarter ended March 31, 1991 to $2.8 million at March 31, 1992 is mainly due to increases in service charges and other fee income of approximately $150,000 and an increase of approximately $50,000 in trust department income.

Other Operating Expenses

Other operating expenses for the three months ended March 31, 1992 decreased by approximately $800,000 or 8.82% compared to the three months ended December 31, 1991. The decrease was primarily attributable to higher operating expenses in December 1991 for advertising, professional services, stationery and supplies and occupancy resulting from the Santa Paula acquisition. Professional fees and equipment expense were higher in December 1991 due to year-end accruals for audit fees and anticipated remodeling costs respectively.

LIQUIDITY

Cash and cash equivalents decreased by $20.7 million or 17.14% from December 31, 1991 to March 31, 1992. For the three months ended March 31, 1992, $27.2 million in cash was provided from operations which includes approximately $28.9 million provided by the settlement of amounts due from and to the RTC. Cash applied to investing activities of $8.2 million includes $43.2 million used to purchase interest-bearing cash accounts and investment securities. This was partially offset by proceeds from investment securities that matured or were called of $37.1 million. Financing activities used an additional $39.7 million in cash primarily due to the liquidation of approximately $44.5 million in certificates of deposit which was partially offset by a net increase in demand deposits and savings accounts of $8.2 million.

ASSET QUALITY

The ratio of nonperforming loans to total loans and ADC loans has increased to 6.14% at March 31, 1992 from 6.02% at December 31, 1991. The allowance for loan losses as a percentage of total loans and ADC loans has increased from 1.46% to 1.56% increasing the Bank's ability to absorb unanticipated loan losses.

The following table sets forth loans which were delinquent for 90 days or more but still accruing and nonaccruing and nonperforming assets at the dates indicated:

	March 31, 1992	December 31, 1991
	(dollars in thousands)	
Loans delinquent for 90 days or more but still accruing	$ 111	$ 138
Nonperforming assets:		
Nonaccrual loans	28,149	25,941
Insubstance foreclosures	2,209	2,418
Other real estate owned	2,085	1,387
Total nonperforming assets	$ 32,443	$ 29,746
Nonperforming assets to period-end loans, ADC loans, and other real estate owned	6.51%	5.98%
Nonperforming loans to period-end loans and ADC loans	6.14%	6.02%
Allowance for loan losses to period-end loans and ADC loans	1.56%	1.46%

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

Not applicable.

Item 2 - Changes in Securities

Not applicable.

Item 3 - Defaults Upon Senior Securities

Not applicable.

Item 4 - Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5 - Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K:

a. Exhibits

Not applicable.

b. Reports on Form 8-K:

Not applicable.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATED: May 13, 1992

Douglas M. Peck, Jr.
Executive Vice President and
Treasurer (Principal Financial
Officer)

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

RECD S.E.C.
MAY 15 1992
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Washington, D.C. 20549

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 1992

BEST COPY AVAILABLE

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________ to ________________

Commission File Number 0-11130

OLYMPUS CAPITAL CORPORATION
(Exact name of registrant as specified in its charter)

UTAH	87-0166750
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

115 South Main St. Salt Lake City, Utah 84111
(Address of principal executive offices)
(Zip Code)

(801) 363-8111
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

2,550,139 shares of $1.00 par value common stock of the registrant were outstanding as of May 13, 1992.

PROCESSED BY
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L30 MAY 13 1992

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OLYMPUS CAPITAL CORPORATION AND SUBSIDIARIES

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SIGNATURES

OLYMPUS CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

	March 31, 1992	December 31, 1991
ASSETS:		
Cash on hand and in banks	$ 3,965,467	$ 4,964,102
Federal funds sold	1,379,844	2,304,615
Investment securities-net (market value $12,495,380 in 1992 and $13,336,670 in 1991)	14,638,625	16,414,059
Mortgage-backed securities (market value $88,732,538 in 1992 and $93,262,714 in 1991)	87,103,694	90,660,974
Loan and lease receivables-net:		
Real estate loans	256,690,971	257,133,305
Real estate loans held for sale	7,405,520	4,632,323
Commercial loans	9,051,238	6,326,231
Other loans receivable	3,756,336	3,810,678
Financing lease receivables-net	92,108	216,849
Unamortized loan fees	(907,096)	(943,741)
Less allowances for possible losses	(6,936,258)	(6,545,377)
Total loan and lease receivables	269,152,819	264,630,268
Accrued interest receivable	2,949,202	3,186,356
Real estate acquired in settlement of loans-net	10,360,875	11,239,232
Premises and equipment-net	7,858,119	7,572,294
Other assets and deferred charges	2,595,605	2,720,899
TOTAL ASSETS	$400,004,250	$403,692,799
LIABILITIES AND STOCKHOLDERS' EQUITY		
Savings deposits	$289,756,216	$292,713,289
Advances from Federal Home Loan Bank	30,000,000	30,000,000
Securities sold under agreements to repurchase (including accrued interest payable)	43,337,424	52,700,366
Other borrowings	9,145,405	467,407
Other liabilities and accrued expenses	4,694,537	5,428,106
Deferred tax credits	534,639	534,639
Total Liabilities	377,468,221	381,843,807
Stockholders' equity		
Common stock	2,550,139	2,550,139
Retained earnings-substantially restricted	19,985,890	19,298,853
Total Stockholders' Equity	22,536,029	21,848,992
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$400,004,250	$403,692,799

(See Accompanying Notes to Consolidated Condensed Financial Statements)

OLYMPUS CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended	
	3/31/92	3/31/91
INTEREST INCOME:		
Real estate loans	$ 6,117,133	$ 6,421,157
Mortgage-backed securities	1,667,584	2,766,988
Investment securities and other short-term investments	43,572	764,835
Equity securities	76,594	105,727
Commercial loans	176,041	117,407
Other loans and contracts	76,624	40,834
Financing leases	2,615	15,439
Loan and lease origination fees	120,299	50,501
Total	8,280,462	10,282,888
INTEREST EXPENSE:		
Savings deposits	4,005,474	5,346,598
Advances from Federal Home Loan Bank	710,210	1,508,344
Securities sold under agreements to repurchase and other borrowings	864,105	1,225,679
Total	5,579,789	8,080,621
NET INTEREST INCOME	2,700,673	2,202,267
Provision for possible investment, loan and lease losses	263,748	259,333
NET INTEREST INCOME AFTER PROVISION FOR LOSSES	2,436,925	1,942,934
OTHER INCOME:		
Fees	383,100	256,13
Income (Loss) from real estate operations	(206,778)	36,45
Gain (Loss) on sale of loans and investments	97,997	(28,43
Miscellaneous	680,119	255,32
Total	954,438	519,47
OTHER EXPENSES:		
Compensation and other employee expense	1,314,904	990,33
Occupancy	432,899	381,49
Advertising	75,987	50,77
Provision for (recoveries of) losses:		
Real estate acquired in settlement of loans		122,00
Repossessed equipment and receivable from guarantors		(20,87
Other Assets	316,477	(26,27
Other expenses	564,047	719,80
Total	2,704,314	2,217,25
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	687,049	245,15
PROVISION IN LIEU OF INCOME TAXES		53,00
INCOME BEFORE EXTRAORDINARY ITEM	687,049	192,15
EXTRAORDINARY ITEM - REALIZATION OF NET OPERATING LOSS CARRYFORWARD		53,00
NET INCOME	$ 687,049	$ 245,15
EARNINGS PER SHARE OF COMMON STOCK BEFORE EXTRAORDINARY ITEM	$ .27	$.
EXTRAORDINARY ITEM		.
EARNINGS PER SHARE OF COMMON STOCK	$ .27	$.

(See Accompanying Notes to Consolidated Condensed Financial Statements)

OLYMPUS CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	3/31/92	3/31/91
CASH FLOWS FROM OPERATING ACTIVITIES:	$ (909,002)	$ 745,591
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investment securities and other short-term investments	643,519	
Proceeds from maturities of investment securities and other short-term investments		5,461,013
Purchase of investment securities and other short-term investments	(33,962)	(4,234,213)
Principal collected on investment securities	519,479	515,221
Purchase of mortgage-backed securities	(1,487,350)	(1,979,375)
Principal collected on mortgage-backed securities	5,009,798	4,026,049
Principal collected on loans	13,980,915	5,468,946
Proceeds from sale of loans	300,286	1,731,669
Loans originated or purchased	(18,452,206)	(6,168,507)
Principal payments received under leases	25,368	277,884
Proceeds from sale of real estate	2,920,732	227,596
Capital expenditures for premises and equipment	(444,031)	(899,614)
Proceeds from other assets and deferred credits	271,989	678,541
Net cash provided by investing activities	3,254,537	5,105,210
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from deposits to savings accounts	116,406,503	47,715,284
Payments for withdrawals from savings accounts	(121,543,924)	(45,688,876)
Net repayment of securities sold under agreements to repurchase	(9,076,573)	(12,276,793)
Proceeds from other borrowings	9,945,053	2,107,223
Net cash used in financing activities	(4,268,941)	(8,143,162)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,923,406)	(2,292,361)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,268,717	8,978,853
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 5,345,311	$ 6,686,492
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
INTEREST PAID	$ 5,763,362	$ 7,437,075
TAXES PAID	$ None	$ 95,064
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES - TRANSFER OF LOANS TO REAL ESTATE ACQUIRED IN SETTLEMENT OF LOANS	$ 1,942,375	$ 1,220,879

(See Accompanying Notes to Consolidated Condensed Financial Statements)

OLYMPUS CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. In management's opinion, the accompanying consolidated condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial condition of Olympus Capital Corporation (the "Corporation") and subsidiaries as of March 31, 1992 and December 31, 1991, and the results of operations for the three-month periods ended March 31, 1992 and 1991 and the cash flows for the three-month periods ended March 31, 1992 and 1991.

2. The results of operations for the three-month period ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year.

3. Refer to Part II, Item 1 of this report for a discussion of contingencies which may affect the Corporation.

4. The amount of "provision in lieu of income taxes" differs from the amount computed by applying the Federal statutory rate to "income before income taxes" principally as a result of provisions for losses on qualifying and nonqualifying real estate loans and real estate owned which are not deductible for Federal income tax purposes. In accordance with the Internal Revenue Code, the Corporation is permitted to deduct an allowance for bad debts based on a percentage of the taxable income or based on a five year moving average of historical losses of Olympus Bank, a Federal Savings Bank (the "Bank"), the Corporation's principal subsidiary.

5. Included in miscellaneous other income for the three month period ended March 31, 1992, is $361,806 of additional interest paid by the Internal Revenue Service on a federal income tax refund received in 1991. The refund is related to the non-recapture of the tax bad debt reserve as a result of carrying back net operating losses.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis covers significant changes in the results of operations of the Corporation and its subsidiaries for the three month period ended March 31, 1992, as compared to the same period in 1991 and significant changes in financial condition of the Corporation and its subsidiaries since December 31, 1991 and should be read in conjunction with the Consolidated Condensed Financial Statements and related Notes.

Results of Operations

The Corporation's net income for the three months ended March 31, 1992 was $687,000 or $.27 per share as compared to $245,000 or $.10 per share for the same period a year ago. This represents an increase of $442,000, resulting in large part from a decline in interest expense associated with the decline in interest rates paid on interest-bearing liabilities. Net interest income (including loan origination fees) after provisions for possible investment loan and lease losses was $2,437,000 for the three months ended March 31, 1992, an increase of $494,000 over the same period for 1991 and the net interest margin for the three months ended March 31, 1992 was 2.9% compared to 2.0% for the same period in 1991.

Total interest income during the three months ended March 31, 1992 decreased $2,002,000 from the same period in 1991. Interest income from real estate loans was down $304,000 for the first quarter of 1992 as compared to the first quarter of 1991, resulting primarily from lower average balances of real estate loans of approximately $3,500,000 during the first quarter of 1992 as compared to the first quarter of 1991. Interest income from mortgage-backed securities was down $1,099,000 for the first quarter of 1992 as compared to the first quarter of 1991. This was the result of lower average balances of approximately $30,225,000 during the first quarter of 1992 as compared to the first quarter of 1991 as well as the decline in the interest rate from 9.26% to 7.55% for the same periods. The decline in the interest rate is associated with the adjustable rate on these assets and the general decline in the interest rate environment. Interest income on investment securities was down $721,000, approximately $545,000 of which was due to a decline in the average balance of these securities of $7,930,000 in the first quarter of 1992 as compared to the first quarter of 1991 and a decline in the rate earned on the Bank's short-term security portfolio. Using the one year U.S. Treasury Bill as a measure for short-term rates, the average interest rates for the first quarter of 1992 was 4.3% as compared to 6.4% for the same quarter in 1991. The carrying value of interest-only strips, which are included in investment securities, was adjusted downward at the end of the first quarter of 1992 of approximately $176,000 as prepayments on such securities have dramatically accelerated. These securities which totaled $7,647,000 at March 31, 1992, hedge interest rate risk on fixed rate single family mortgage loans. As rates decline and the single family mortgage loans become a relatively better yielding asset the yield on interest-only strips declines. If the rapid prepayment of these securities continues, further adjustments may be required to the carrying value of such securities in future periods which will negatively impact interest income in the future.

Interest expense also declined for the first quarter of 1992 as compared to the first quarter in 1991, by $2,501,000. Interest expense on savings deposits was down $1,341,000 due, primarily, to a decline in the interest rate paid on such interest-bearing liabilities. The average interest rate paid by the Bank on savings deposits for the first quarter of 1992 was 5.4% as compared to 7.3% for the same period in 1991, or a decline of 1.9%. This decline in average interest rates is associated principally with two factors; first, the general decline in interest rates as mentioned above, and second, a change in the composition of savings deposits from principally certificates of deposits to include more transaction accounts. Transaction accounts have increased $25,000,000 to approximately 26% of savings deposits from March 31, 1991 to March 31, 1992, while certificates of deposits have declined $30,000,000 in the same period. Interest expense on advances from the Federal Home Loan Bank of Seattle was down $798,000 for the three months ended March 31, 1992 as compared to the same period in 1991 because of a decline from March 31, 1991 to March 31, 1992 in the balances of such advances of $34,600,000. Interest expense on securities sold under agreements to repurchase and other borrowings also declined $362,000 for the three months ended March 31, 1992 as compared to the same period in 1991. Balances for this category of liability were down $1,765,000 from March 31, 1991 to March 31, 1992, while the average rates paid by the Bank on these liabilities declined 1.9%, from 6.1% as of March 31, 1991 to 4.2% at March 31, 1992.

Other income increased $435,000 for the three months ended March 31, 1992 as compared to the same period in 1991. This results primarily from increases in fees, gains on sale of loans, and miscellaneous income. Fee income was up $127,000, primarily from an increase in charges for insufficient funds on checking accounts which was up $35,000 for the first quarter of 1992 as compared to the same period in 1991 and is associated with the greater volume of transaction accounts now being serviced by the Bank. Loan servicing fees were also up $87,000 for the first quarter of 1992 over 1991 as a result of an increase in the average balance of loans serviced for others. The Corporation has purchased mortgage servicing and retained most of the servicing associated with the mortgage lending operations. Gain on sale of loans increased $126,000 as a result of the sale of mortgage loans originated for sale by the Corporation. Miscellaneous income increased $425,000 for the first quarter of 1992 as compared to the same period in 1991. This increase was primarily the result of the receipt of $362,000 in additional interest on a tax refund received by the Corporation from the IRS in 1991. Additionally, the Corporation has recognized in the first quarter of 1992 a tax refund for the year ended 1991 of $200,000. This results from overpayments of estimated tax payments during 1991. Without the interest on the tax refund and the 1991 tax refund miscellaneous income for the first quarter of 1992 would have declined $137,000, primarily as a result of a decline of $22,000 from the sale of annuities, a decline of $81,000 in income from operating leases, and as a result of the Corporation no longer receiving any management fees associated with the Resort Center property in Park City. The Corporation had a loss of $207,000 from real estate operations during the first quarter of 1992, a decrease of $243,000 as compared to the same period in 1992 and primarily results from an increase in the cost of maintaining, operating, and legal expenses in conjunction with properties acquired in the settlement of loans. Similar losses on real estate operations may be incurred in future periods.

Other expenses increased $487,000 for the first quarter of 1992 as compared to the first quarter of 1991, primarily from increases in compensation and provisions for loss on residual value of leased equipment. Compensation increased $325,000 as a result of the Corporation's continuing efforts to improve and expand the Bank's retail banking operations. Provisions for other assets increased $343,000, as provisions were established for the residual value of equipment that had been leased on operating leases by the Corporation. Such equipment is being sold by the Corporation and no further significant provisions are expected because the Corporation no longer has an active equipment leasing program. Other expenses were down $156,000, due primarily to a reduction in loan and collection expense.

Financial Condition

Total assets of March 31, 1992 were $400,004,000, a decrease of $3,689,000 or approximately 1% from December 31, 1991. Mortgage-backed securities decreased approximately $3,500,000 during the same period primarily as a result of scheduled payments and unscheduled prepayments. Total loans and leases receivable increased during the same period approximately $4,500,000 primarily as a result of originations of mortgage loans held for sale increasing $2,773,000 from December 31, 1991 to March 31, 1992, and an increase in commercial business loans held for investment of approximately $2,700,000 during the same period. As interest rates on mortgage loans have remained low, the Corporation continues to be active in the origination of fixed rate mortgage loans held for sale. The commercial business loans increase noted above occurred as the Corporation continues to emphasize these investments. Real estate acquired in settlement of loans declined $878,000 during the same period as the Corporation was able to dispose of some of the property owned.

Savings deposits were $289,756,000 at March 31, 1992 which is a decrease of approximately $2,900,000 from December 31, 1991. Management believes this decrease results from a general decline in the level of interest rates, prompting customers to seek higher yields from other types of investments. Securities sold under agreements to repurchase declined approximately $9,400,000 during the same period. These liabilities are incurred by the Corporation to provide short-term funding sources. Excess cash received by the Corporation has been used to pay down these borrowings. Other borrowings increased approximately $8,700,000 from December 31, 1991 to March 31, 1992. This results from the remarketing of the industrial revenue bonds previously owned by the Bank, payments on which are backed by letters of credit issued by the Bank. As of March 31, 1992, liabilities have declined in total approximately $4,375,000 from December 31, 1991.

Liquidity and Capital Resources

Regulations of the Office of Thrift Supervision ("OTS") require the Bank to maintain specified levels of liquid assets, generally defined as cash and marketable securities which are quickly convertible into cash. Such assets must equal at least 5% of the daily average balance of total withdrawable savings and short-term borrowings (liquidity base). As of March 31, 1992, The Bank's average liquid assets were approximately $17.8 million or 5.2% of its liquidity base.

The Corporation had loan commitments of approximately $30 million as of March 31, 1992. It is expected that these commitments will be funded primarily from loan sales together with cash from maturities and monthly payments received from the existing portfolio of loans and mortgage-backed securities.

The Bank has negotiated a lease on a new location for the Woodlands branch of the Bank in Salt Lake City, Utah. The new location is in an adjacent building and is expected to allow for better customer access to the branch. The Bank will pay approximately $136,000 for capital improvements on the new space. The Bank's mortgage production office in South Salt Lake City will be vacated and the operations moved into the new Woodlands branch. The net effect of both moves will be a modest increase in occupancy of approximately $20,000 per year. Anticipated income from new branches will not cover the costs associated with their start up for a period of time. The Corporation expects to fund these capital expenditures and operating expenses out of cash available from operations.

As of March 31, 1992 the Corporation had $22,536,000 in stockholders' equity, representing 5.6% of assets. The status of the Bank's compliance with OTS capital requirements is as follows:

	Amount (Dollars in 000's)			Rates		
	Required	Actual	Excess	Required	Actual	Excess
Tangible capital to tangible assets	$ 5,998	$22,315	$16,317	1.5%	5.6%	4.1%
Core capital to tangible assets	$19,994	$22,315	$ 2,321	5.0%	5.6%	0.6%
Risk-based capital to risk weighted assets	$20,193	$26,548	$ 6,355	7.2%	9.5%	2.3%

Management of the Corporation is negotiating with a regional investment bank to engage the investment bank to sell, on a private placement basis, approximately 500,000 newly-issued shares of the Corporation's common stock. If such shares are sold, the

Corporation intends further to capitalize the Bank with the net proceeds of such sale in order to increase the capital base of the Bank. There is no assurance that such sale will occur.

Non-Performing Assets.

Non-accrual loans, principally loans past due more than 90 days totaled $1,854,000 and $2,823,000 at March 31, 1992 and December 31, 1991, respectively. The following summarizes and updates the status of major non-performing loans and real estate acquired in settlement of loans held by the Bank at March 31, 1992.

	Asset	Status as of Date of this Report
1.	Hotel located in Idaho Falls, Idaho, and related collateral. Owned by the Bank.	In early 1992 the Bank received several offers to purchase this property and is currently negotiating a purchase agreement with one of the offerors.
2.	4.3 acres of undeveloped real estate near a Park City, Utah ski resort. Owned by the Bank.	The Bank's efforts to dispose of this property by development or other disposition have been impeded by the position of the owner of the ski resort that, based upon various contractual arrangements, it has (i) the right to control or limit the manner in which the property may be developed and (ii) the option, under certain circumstances, to purchase the property at a price determined by an appraisal process. The Bank has initiated arbitration proceedings to resolve these issues.
3.	A 200,000 square foot industrial building and land located in Salt Lake City, Utah. Owned by the Bank.	Listed for sale/lease. The Bank is conducting discussions with a potential purchaser.
4.	A 2,690 acre farm located near Ontario, Oregon. Owned by the Bank.	A portion of the property has been leased.
5.	Non-performing commercial real estate loan secured by an office warehouse located in Salt Lake City, Utah.	Non-judicial foreclosure pending.

6.	Non-performing multi-family loan secured by an apartment complex in Salt Lake City, Utah.	Borrower in bankruptcy. The Bank has obtained relief from the automatic stay. Post petition payments are being received. The borrower has filed a reorganization plan which is being evaluated by the creditors.
7.	Non-performing commercial real estate loan secured by an office - light industrial building located in Salt Lake City, Utah.	Non-judicial foreclosure pending.
8.	A hydroelectric plant located in Salmon, Idaho. Bank owns 63.77% of this non-performing loan.	Cash flows have been insufficient to service the debt. The servicer is evaluating the options. The loan matured on May 1, 1992.

The total net book value of these assets listed above was $12,655,000 as of March 31, 1992.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Richard Madsen v. Prudential Federal Savings and Loan Association (third Judicial District Court of Salt Lake County, State of Utah, Civil No. 226073). The trial court in this matter, which was reported on Form 10-K for the fiscal year of the Corporation ended December 31, 1991, has entered its findings of fact, conclusions of law and judgment. The judgment awards $134.70 to plaintiff, plus costs of court, plus 10% interest from the date of trial to the date of judgment, plus post-judgment interest (currently 12%) from the date of judgment. The judgment also orders that a special master be appointed to survey the Bank's records to determine a feasible method for identifying class members and for identifying records from which a computation of damages can be made for class members. A consequence of the judgment may be that plaintiff is the representative of a class of plaintiffs whose trust deeds in favor of the Bank contain similar language as that contained in the plaintiff's trust deed. The trial court certified the judgment as final and directed its entry so that an appeal may be taken. In the event of an appeal, the trial court will stay the provisions of the judgment relating to the special master and determination of the identity of class members until the case is remitted from the Supreme Court or Court of Appeals. The Bank intends to appeal.

Olympus Bank, a Federal Savings Bank v. Greater Park City Company, Third Judicial District Court of Summit County, State of Utah, Civil No. 10795. This matter was previously reported on Form 10-K for the fiscal year of the Corporation ended December 31, 1991. The Bank demanded arbitration with Greater Park City Company pursuant to American Arbitration Association rules relating to commercial arbitration. In the arbitration, the Bank has requested (i) a determination that the Bank owns, and Greater Park City Company is obligated to transfer to the Bank, certain land to which the Bank appears to be entitled under agreements between the Bank and Greater Park City Company and (ii) a determination that the Bank owns certain real estate free of any clam or interest of Greater Park City Company and, if Greater Park City Company is found to have any interest, a specification of the nature of such interest. The Bank has not received a response to such demand.

Item 2. Changes in Securities.

None

Item 3. Defaults Upon Senior Securities.

None

__Item 4__. __Submission of Matters to a Vote of Security Holders__.

Not Applicable

__Item 5__. __Other Information__.

None

__Item 6__. __Exhibits and Reports on Form 8-K__

(a) Exhibits
None

(b) Reports on Form 8-K
There were no reports on Form 8-K filed during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OLYMPUS CAPITAL CORPORATION

Date May 14, 1992

By:
John L. Richards, Executive Vice Pres.

Date May 14, 1992

By: K. John Jones
K. John Jones, Senior Vice President
(Chief Financial Officer)

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The exhibit index is on page 11.
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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

RECD S.E.C.
MAY 1 - 1992

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

PROCESSED BY
13-12-X
MAY 15 1992

For Quarter Ended: **March 31, 1992**

Commission File Number : **0-17493**

Microfilmed by
Q-Data Corp. - St. Petersburg, FL
L39

Omni U.S.A., Inc.
(Exact name of registrant as specified in its charter)

Nevada (State of incorporation)	**88-0237223** (IRS Employer Identification No)

1309 Camino Del Mar, Del Mar, California 92014
(Address of principal executive offices)

Registrant's telephone number, including area code: **(619) 755-7055**

BEST COPY AVAILABLE

Common Stock $.000333 Par Value
Title of Class

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports,) and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ___

At April 30, 1992, there were 15,000,000 shares of common stock $.000333 par value outstanding.

PART 1. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Omni USA, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 1992	June 30, 1991
Current Assets:		
Cash and cash equivalents	$ 279,363.	$ 134,042.
Accounts receivable, less reserves	1,411,481.	2,312,795.
Inventories	1,192,716.	1,086,600.
Prepaid expenses	93,488.	133,580.
Other current assets	70,155.	74,343.
Total Current Assets	3,047,203.	3,741,360.
Property, Plant and Equipment, net of accumulated depreciation of $595,899 at March 31, 1992 and $504,440 at June 30, 1991	558,273.	387,221.
Intangible Assets, net of accumulated amortization of $278,724 at March 31, 1992 and $243,785 at June 30, 1991	256,561.	282,830.
Other Assets	185,998.	171,539.
Total Assets	$ 4,048,035.	$ 4,582,950.

Omni USA, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992	June 30, 1991
Current Liabilities:		
Notes payable, current portion	$ 1,199,881.	$2,369,236.
Accounts payable	940,620.	893,119.
Other current liabilities	5,065.	27,070.
Total Current Liabilities	2145,566.	3,289,425.
Notes Payable, long term portion	108,721.	24,737.
Other Liabilities	-.	-.
Stockholders' Equity		
Common stock	5,000.	5,000.
Equity contract notes	1,136,164.	-.
Additional paid-in capital	1,039,620.	1,039,620.
Retained earnings (deficit)	(487,641.)	126,066.
Foreign currency translation adjustment	100,605.	98,102.
Total Stockholders' Equity	1,793,748.	1,268,788.
Total Liabilities and Stockholders' Equity	$ 4,048,035.	$ 4,582,950.

See accompanying notes to condensed consolidated financial statements.

Omni USA, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

	For the Three Months Ended March 31, 1992	For the Three Months Ended March 31, 1991	For the Nine Months Ended March 31, 1992	For the Nine Months Ended March 31, 1991
Net sales	$ 3,705,128.	$ 3,500,241.	$ 9,511,526.	$ 11,401,084.
Cost of goods sold	2,887,949.	2,707,728.	7,160,906.	8,580,892.
Gross profit	817,179.	792,513.	2,350,620.	2,820,192.
Other operating (income) expense:				
Consulting fees	-.	-.	(300,000.)	-.
Commissions	-.	3,419.	.	(7,266.)
Selling, general and administrative expense	1,023,453.	892,021.	2,969,083.	2,809,495.
Other, net	86,933.	-.	115,827.	-.
Operating income (loss)	(293,207.)	(102,927.)	(434,290.)	17,963.
Non-operating (income) expenses:				
Interest expense	39,100.	77,976.	179,846.	263,613.
Other, net	(14,581.)	(5,905.)	(49,290.)	7,967.
Income (loss) before income taxes	(317,726.)	(174,998.)	(564,846.)	(253,617.)
Provision (benefit) for income taxes	-.	-.	(1,972.)	-.
Net income (loss)	$ (317,726.)	$ (174,998.)	$ (562,874.)	$ (253,617.)
Net income (loss) per share	$ (.024)	$ (.012)	$ (.041)	$ (.017)

See accompanying notes to condensed consolidated financial statements.

Omni USA, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	1992	1991	1992	1991
Increase (Decrease) in Cash and Cash Equivalents From:				
Operating activities:				
Net (loss) income	$ (317,726.)	$ (174,998.)	$ (562,874.)	$ (253,617.)
Adjustments to reconcile net (loss) income to net cash used in operating activities:				
Depreciation and amortization	44,219.	53,400.	133,545.	158,286.
Change in assets and liabilities	436,607.	136,019.	814,786.	(891,409.)
Net cash provided by (used in) operating activities	163,100.	14,421.	385,457.	(986,740.)
Investing activities:				
Capital expenditures	(23,758.)	(12,396.)	(278,973.)	(80,127.)
Other	(13,020.)	4,629.	(14,459.)	(5,113.)
Net cash provided by (used in) investing activities	(36,778.)	(7,767.)	(293,432.)	(85,240.)
Financing activities:				
Proceeds from short and long term borrowings	(11,104.)	(293,771.)	132,768.	1,321,973.
Proceeds from equity contract notes	93,507.	-.	136,164.	-.
Repayment of short-term borrowings	(9,567.)	247,233.	(218,139.)	(274,749.)
Net cash (used in) provided by financing activities	72,836.	(46,538.)	50,793.	1,047,224.
Effect of exchange rate changes on cash	8,781.	(2,968.)	2,503.	8,596.
Net change in cash during the period	207,939.	(42,852.)	145,321.	(16,160.)
Balance, beginning of period	71,424.	158,702.	134,042.	132,010.
Balance, end of period	$ 279,363.	$ 115,850.	$ 279,363.	$ 115,850.

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The condensed consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures made in this report are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-K. In the opinion of the Company, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of Omni U.S.A., Inc. and subsidiaries as of March 31, 1992 and June 30, 1991 and the results of their operations and cash flows for the three and nine month periods ended March 31, 1992 and 1991, have been included. The results of operations for such interim periods are not necessarily indicative of the results for the full year.

2. Primary and fully diluted income per share amounts are based on the weighted average number of shares of common stock outstanding (15,000,000 during each of the three and nine month periods ended March 31, 1992 and 1991). In the three and nine month periods ended March 31, 1992 and 1991, the Company's common stock equivalents did not materially dilute earnings per share or were antidilutive and therefore were not included in the computation of primary and fully diluted income (loss) per share.

3. Interest paid on debt for the three months ended March 31, 1992 and 1991, was $74,670 and $77,795, respectively, and for the nine months ended March 31, 1992 and 1991 was $229,534 and $263,564, respectively. No income taxes were paid during the three and nine months ended March 31, 1992 and 1991, respectively.

4. On October 15, 1991, the Board of Directors approved the Equity Note Plan with Attached Warrants in order to raise additional capital for the Company. The notes will be issued in $50,000 denominations not to exceed $3,000,000 total and will earn interest at prime plus 2% to be paid quarterly. The notes will mature five years from the issue date, to be repaid in unregistered shares of common stock at $.625 per share. In addition, at maturity the noteholder is entitled to purchase one additional share of common stock at $.625 per share. Approximately $136,000 has been received toward the sale of such notes and is included in the Company's Consolidated Balance Sheet as of March 31, 1992 under Stockholders' Equity as "Equity Contract Notes".

5. On November 27, 1991, the Company's President and principal shareholder exchanged $500,000 of debt owed to him by the Company and assumed an additional $500,000 of debt owed by the Company to a bank, in exchange for an equity contract note. Under the terms of the note, the Company is obligated to repay Mr. Daniel on December 15, 1996, the sum of $1,000,000 in the common shares of the Company valued at a price of $.30 per share and

to pay interest monthly at a rate of 1-1/4% per month. The $1,000,000 note is recorded in the Company's Consolidated Balance Sheet as of March 31, 1992 under Stockholders' Equity as "Equity Contract Notes". Interest of $50,833 was recorded as dividends because it is attributed to an equity instrument. Such dividend is included as a reduction of "Retained earnings (deficit)" in the Company's Consolidated Balance Sheet as of March 31, 1992.

6. The Company's debt payable to the bank became due on December 15, 1991. The bank has agreed to an extension of this debt facility. Omni and the bank have held discussions regarding the terms of the extension, however, due to personnel changes at the bank no agreement has been finalized. The Company continues to make monthly interest payments in accordance with the bank's request.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information normally included in annual reports has been condensed or omitted pursuant to such rules and regulations. This report should be read in conjunction with the Company's latest Annual Report, a copy of which may be obtained by writing to the Public Relations Department, Omni U.S.A., Inc., 1309 Camino Del Mar, Del Mar, California 92014.

Liquidity and Capital Resources

The cash flow shortage that has been constraining the Company for two years continued throughout the second quarter of fiscal year 1992. The first and second quarters of each fiscal year are routinely slow periods for sales due to the cyclical nature of the industries to which the Company's products are sold. However, sales began to pickup in the third quarter resulting in an increase of 30.6% over the second quarter and 5.9% over the third quarter one year ago. In addition, accounts receivable collections produced a 39% reduction in receivables balance when compared to the prior fiscal yearend and provided substantial cash for operations. Approximately $759,000 has been received from Auster Company Ltd. since June 30, 1991, offset by additional consulting charges of $300,000. The net reduction in the Auster receivable balance of $459,000 accounts for approximately one-half of the total reduction in receivables.

On November 27, 1991, the Company's President and principal shareholder exchanged $500,000 of debt owed to him by the Company and assumed an additional $500,000 of debt owed by the Company to a bank, in exchange for an equity contract note. Under the terms of the note, the Company is obligated to repay Mr. Daniel on December 15, 1996, the sum of $1,000,000 in the common shares of the Company valued at a price of $.30 per share and to pay interest monthly at a rate of 1-1/4% per month. The $1,000,000 note is recorded in the Company's Consolidated Balance Sheet as of March 31, 1992 under Stockholders' Equity as "Equity Contract Notes".

The Company's debt payable to the bank became due on December 15, 1991. The bank has agreed to an extension of this debt facility. Omni and the bank have held discussions regarding the terms of the extension, however, no agreement has been finalized. The Company continues to make monthly interest payments in accordance with the bank's request.

On October 15, 1991, the Board of Directors approved the Equity Note Plan with Attached Warrants in order to raise additional capital for the Company. The notes will be issued in $50,000 denominations not to exceed $3,000,000 total and will earn interest at prime plus 2% to be paid quarterly. The notes will mature five years from the issue date, to be repaid in unregistered shares of common stock at $.625 per share. In addition, at maturity the noteholder is entitled to purchase one additional share of common stock at $.625 per share. The Company began selling such notes in earnest in March, 1992.

Approximately $136,000 has been received toward the sale of such notes and is included in the Company's Consolidated Balance Sheet as of March 31, 1992 under Stockholders' Equity as "Equity Contract Notes".

The Company is continuing to pursue its strategy to ensure that it has sufficient liquidity to finance ongoing operations and growth through a secondary offering of common shares. The Company is currently in negotiations with a New York Stock Exchange member firm to underwrite a secondary offering. Based on discussions to date, although there are no assurances that any secondary offering will occur, management believes that such secondary offering will take place by the end of calendar year 1992.

Results of Operations

Third Quarter Results

Consolidated sales were $3,705,128 for the third quarter of fiscal year 1992 compared to sales of $3,500,241 for the same period last year, an increase of 5.9%. Sales of gearboxes increased approximately 26.2% during the period. Truck products sales remained level with prior years while trailer products sales decreased approximately $200,000 due to the prior year sell off of Italian made jacks which were acquired by the Company in conjunction with the intial decision to enter the trailer products business. The Company expects to be in full production of its own jacks and couplers in fiscal year 1993. Special projects sales also decreased approximately $163,000 from the third quarter a year ago as a result of the Company phasing out items which were highly competitive and had unacceptably low margins.

The Company recorded a consolidated net loss of $317,726 or $.024 per share for the current quarter compared to a net loss of $174,998 or $.012 per share for the third quarter of fiscal year 1991. Consolidated gross margin for the third quarter was 22.1%, a decrease of .5% over the same period one year ago. Selling, general and administrative expenses increased approximately 14.7% for the quarter compared to one year ago primarily due to annual salary increases, increased travel and increased import expenses. Also during the quarter, the Company wrote off uncollectible accounts receivable totalling $27,774 and recorded additional rent expense to reflect indexed rent increases that were missed in prior periods. Non-operating expenses decreased compared to the prior year due to a reduction of interest expense which included certain one-time financing fees in the prior year period.

Nine Month Results

Consolidated sales for the first nine months of fiscal 1992 were $9,511,526 as compared to sales of $11,401,084 for the same period last year, a decrease of 16.6%. Sales of gearboxes decreased 12.7% during this period primarily due to a reduction of gearboxes used in agricultural irrigation systems. Sales of such gearboxes were unusually high early in fiscal year 1991, as many distributors increased orders in anticipation of supplying middle eastern requirements. However, due to the Gulf War such sales were restricted and excessive inventories had to be liquidated in the U.S. market. These excess inventories were still being sold off by many distributors through October of fiscal year 1991. The excess inventories now appear to be liquidated as November and December sales have returned to prior years' levels and the third quarter exceeded fiscal year 1991 levels.

For the first nine months of fiscal 1992, the Company recorded a consolidated net loss of $562,874 or $.041 per share for the period compared to a net loss of $253,617 or $.017 for the same period of fiscal 1991. Selling, general and administrative expenses increased approximately 5.7% for the first nine months of fiscal 1992 compared to one year ago primarily due to annual salary increases, rent increases, increased outside professional services, travel and import expenses.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

A final settlement was executed in January 1992 in the Howse Implement Company, Inc. v. OMNI USA, Inc. proceeding discussed in the Company's Form 10-Q for the quarter ended December 31, 1990. The settlement did not have a material effect on the Company.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibit Index

Exhibit 11. Earnings Per Share Calculation page 13

See exhibit index in the Company's Annual Report on Form 10-K.

(b) Reports on Form 8-K

Not applicable.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OMNI U.S.A., INC.

Date: May 13, 1992

By ________________________________

DEANNA L. SPOONER
Chief Financial Officer

Omni USA, Inc. and Subsidiaries

EXHIBIT 11

EARNINGS PER SHARE CALCULATION

For the Nine Months Ended March 31, 1992:

Net income (loss) for the period		$ (562,874.)
Dividends on Equity Contract Note		(50,833.)
Adjusted net income (loss)		$ (613,707.)
Common shares outstanding during the period	15,000,000	
Earnings Per Share (1)		$ (.041)

For the Three Months Ended March 31, 1992:

Net income (loss) for the period		$ (317,726.)
Dividends on Equity Contract Note		(37,917.)
Adjusted net income (loss)		$ (355,643.)
Common shares outstanding during the period	15,000,000	
Earnings Per Share (1)		$ (.024)

(1) In the three and nine month periods ended March 31, 1992, the Company's common stock equivalents did not materially dilute earnings per share or were antidilutive and therefore were not included in the computation of primary and fully diluted earnings per share.

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WASHINGTON, D. C. 20049

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Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended January 31, 1992 Commission File Number 33-19645

PIGGLY WIGGLY ALABAMA DISTRIBUTING CO., INC.
(Exact name of registrant as specified in its charter)

ALABAMA
(State of Incorporation)

63-0393676
(I.R.S. Employer identificaton No.)

2400 J. Terrell Wooten Drive, Bessemer, Alabama 35020
(Address of principal executive office and zip code)

Registrant's telephone number, including area code (205) 481-2314

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject of such filing requirements for the past 90 days.
Yes X No ____

Indicate the number of shares outstanding of each for the issuer's class of common stock, as of the latest practical date.

Class	Outstanding at January 31, 1992
Common	64,589

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PIGGLY WIGGLY ALABAMA DISTRIBUTING CO., INC.

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CONSOLIDATED BALANCE SHEET
(UNAUDITED)

Piggly Wiggly Alabama Distributing Co., Inc.	January 31, 1992 and July 26, 1991	
Assets	January	July
Current assets		
Cash	2,064,992	205,707
Receivables		
Trade accounts	7,569,573	8,168,959
Other	44,182	32,836
Inventories	17,642,728	17,020,651
Prepaid expenses	496,428	138,036
Total current assets	27,817,903	25,566,189
Deferred accounts receivable	245,537	127,594
Property, plant and equipment, at cost net of accumulated depreciation of $8,905,695 (1991, $8,238,551)	21,242,075	21,623,615
Leased property under capital leases, net of amortization of $907,053 (1991, $551,108)	1,719,879	2,075,824
Other assets		
Unamortized loan costs	444,369	465,948
Property held for sale or lease	1,397,503	1,397,503
Total Assets	52,867,266	51,256,673

See accompanying notes to unaudited financial information.

CONSOLIDATED BALANCE SHEET
(UNAUDITED)

Piggly Wiggly Alabama Distributing Co., Inc.	January 31, 1992 and July 26, 1991	
Liabilities and Stockholders' Equity	January	July
Current liabilities		
Notes payable - operator	100,000	100,000
Current installments on long-term debt	1,509,382	1,563,407
Accounts payable - trade	12,518,056	10,682,603
Accrued expenses	750,219	935,233
Accrued patronage dividend	1,011,359	1,011,358
Total current liabilities	15,889,016	14,292,601
Capitalized lease obligations	1,646,675	1,830,765
Long-term accrued patronage dividend	5,984,840	4,966,547
Long-term debt, excluding current installments	16,810,726	17,880,663
Total liabilities	40,331,257	38,970,576
Stockholders' equity		
Common stock of $.01 par value per share, authorized 200,000 shares, issued 64,589 (1991, 62,568) shares	646	626
Additional paid-in capital	11,097,659	10,660,334
Common stock purchase deposits	232,440	525,897
Retained earnings	1,205,264	1,099,240
Total stockholders' equity	12,536,009	12,286,097
Total liabilities and stockholders' equity	52,867,266	51,256,673

See accompanying notes to unaudited financial information.

Piggly Wiggly Alabama Distributing Co., Inc.

STATEMENTS OF INCOME
(UNAUDITED)

	Fourteen Weeks and Thirteen Weeks Ended		Twenty-seven Weeks and Twenty-six Weeks Ended	
	January 31 1992	January 25 1991	January 31 1992	January 25 1991
Sales	86,813,390	87,543,093	179,087,433	173,159,611
Cost of sales	81,495,235	82,778,087	168,215,001	163,819,784
Gross profit on sales	5,318,155	4,765,006	10,872,432	9,339,827
Purchase discounts	1,218,746	1,254,183	2,543,875	2,419,734
Other operating income	353,777	345,690	768,392	1,112,465
Gross profit	6,890,678	6,364,879	14,184,699	12,872,026
Depreciation & amortization	533,366	503,036	1,049,707	877,037
Other operating expenses	5,220,824	4,724,967	10,689,566	9,666,126
Total operating expenses	5,754,190	5,228,003	11,739,273	10,543,163
Operating income	1,136,488	1,136,876	2,445,426	2,328,863
Financial expenses	581,360	554,822	1,203,795	1,127,818
Patronage dividends	457,014	482,054	1,037,857	1,001,045
Income before income taxes	98,114	100,000	203,774	200,000
Provision for income taxes	34,340	36,000	71,321	72,000
Net income	63,774	64,000	132,453	128,000
Earnings per common share and common share equivalent	$0.97	$0.90	$2.02	$1.89
Earnings per common share and common share equivalent - assuming full dilution	$0.97	$0.97	$2.02	$1.87

See accompanying notes to unaudited financial information.

Piggly Wiggly Alabama Distributing Co., Inc.

STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Fourteen Weeks and Thirteen Weeks Ended		Twenty-seven Weeks and Twenty-six Weeks Ended	
	January 31 1992	January 25 1991	January 31 1992	January 25 1991
Common Stock				
Beginning balance	647	645	626	622
Add: New issues	2	4	29	36
Less: Redemptions	3	17	9	26
Ending balance	646	632	646	632
Additional Paid-in capital				
Beginning balance	11,121,797	10,972,126	10,660,334	10,475,293
Add: Premiums received	40,557	90,427	594,547	721,204
Less: Refund of premiums upon redemption	64,695	306,824	157,222	440,768
Ending balance	11,097,659	10,755,729	11,097,659	10,755,729
Common Stock Purchase Deposits				
Beginning balance	119,597	150,288	525,897	577,630
Add: Cash collected	153,401	281,251	301,118	484,718
Less: Stock issued	40,558	90,431	594,575	721,240
Ending balance	232,440	341,108	232,440	341,108
Retained Earnings				
Beginning balance	1,146,171	1,010,962	1,099,240	978,881
Add: Net income	63,778	64,000	132,457	128,000
Less: Excess of stock redemption price over purchase price	4,685	67,083	26,433	99,002
Ending balance	1,205,264	1,007,879	1,205,264	1,007,879
Total stockholders' equity	12,536,009	12,105,348	12,536,009	12,105,348

See accompanying notes to unaudited financial information.

Piggly Wiggly Alabama Distributing Co., Inc.
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Fourteen Weeks and Thirteen Weeks Ended		Twenty-seven Weeks and Twenty-six Weeks Ended	
	January 31 1992	January 25 1991	January 31 1992	January 25 1991
Cash flows from operating activities				
Received from operators	87,858,485	88,118,812	179,674,222	173,022,968
Paid for cost of sales and inventories	(78,017,742)	(81,050,709)	(164,741,897)	(160,806,943)
Paid to other suppliers and employees	(4,817,878)	(4,974,007)	(10,958,942)	(10,361,055)
Paid for patronage dividends	(3,205)	(156,490)	(19,564)	(164,357)
Interest received	15,146	79,815	103,932	159,746
Interest paid	(445,542)	(585,750)	(1,186,309)	(1,143,040)
Income taxes paid	(141,973)	(36,000)	(71,321)	(72,000)
Miscellaneous income received	323,096	253,256	675,782	830,367
Net cash provided (used) by operating activities	4,770,387	1,648,927	3,475,903	1,465,686
Cash flows from investing activities				
Purchase of equipment	(169,958)	(181,230)	(290,643)	(2,407,942)
Notes receivable - net	(199,157)	12,986	(129,289)	421,866
Proceeds from sale of property	-	12,050	1,275	136,448
Net cash provided (used) by investing activities	(369,115)	(156,194)	(418,657)	(1,849,628)
Cash flows from financing activities				
Checks outstanding - net	(1,764,775)	(960,009)	-	(975,042)
Debt reduction				
Short term	-	(50,000)	-	(50,000)
Long term	(863,160)	(325,155)	(1,315,415)	(811,573)
Increase in long term debt	-	-	-	2,202,100
Proceeds from issuance of common stock and collections on stock subscriptions	149,451	281,250	301,118	484,717
Redemption cost of common stock	(65,433)	(373,924)	(183,664)	(539,795)
Net cash provided (used) by financing activities	(2,543,917)	(1,427,838)	(1,197,961)	310,407
Net increase (decrease) in cash and cash equivalent	1,857,355	64,895	1,859,285	(73,535)
Cash and cash equivalents at beginning of the period	207,637	115,759	205,707	254,189
Cash and cash equivalents at end of the period	2,064,992	180,654	2,064,992	180,654

See accompanying notes to unaudited financial information.

Piggly Wiggly Alabama Distributing Co., Inc.

STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Fourteen Weeks and Thirteen Weeks Ended		Twenty-seven Weeks and Twenty-six Weeks Ended	
	January 31 1992	January 25 1991	January 31 1992	January 25 1991
Reconciliation of net income to net cash provded by operating activites				
Net income	63,774	64,000	132,453	128,000
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	533,366	503,036	1,049,707	877,037
(Gain) loss on sale of property, plant and equipment	-	(9,933)	(1,275)	(126,735)
Changes in assets and liabilities				
(Increase) decrease in trade receivables	1,029,560	573,033	599,386	(132,260)
(Increase) decrease in inventories	3,270,027	3,556,885	(622,077)	867,882
(Increase) decrease in prepaid expenses	450,944	(91,071)	(358,392)	(693,335)
Increase (decrease) in accounts payable and accrued expense	(927,008)	(3,276,917)	1,650,439	(304,459)
Increase (decrease) in accrued patronage dividends	-	(31,951)	-	(31,951)
Increase (decrease) in accrued income taxes payable	(107,633)	-	-	-
Increase (decrease) in deferred patronage dividends payable	453,809	357,515	1,018,293	868,639
Increase in deferred compensation payable	3,548	4,330	7,369	12,868
Net cash provided by operating activities	4,770,387	1,648,927	3,475,903	1,465,686

See accompanying notes to unaudited financial information.

Notes to Quarterly Financial Statements
(UNAUDITED)

January 31, 1992 and January 25, 1991

1. Primary earnings per common share and common share equivalent were computed by dividing net income by the weighted average number of shares and share equivalents outstanding during the period. Fully diluted earnings per common share and common share equivalents were computed as above, except that the issue of common shares under subscription is assumed to take place at the beginning of the fiscal year when the result is dilutive.

2. In the opinion of management all adjustments have been made which are necessary to reflect a fair statement of the results of operations of the interim periods. These adjustments were of a normal recurring nature and there were no unusual or nonrecurring adjustments necessary.

   Long-term accrued patronage dividend at January 31, 1992 and January 25, 1991 includes the accrued patronage dividend that is payable beyond twelve months.

   The accounting policies followed by the Company are set forth in note 1 of the Company's financial statements in the Form 10-K report for the year ended July 26, 1991 which is incorporated by reference.

3. The results of operations for the twenty-seven weeks ended January 31, 1992 and the twenty-six weeks ended January 25, 1991 are not necessarily indicative of the results to be expected for the full year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources - During the quarters presented, cash was provided by operating activities. During the fiscal 1992 quarters, this was primiarly due to increases in accounts payable and deferred patronage dividends payable. During the 1991 period, this was due to decreases in inventory and increases in deferred patronage dividend payable.

In the 1st quarter of fiscal 1991 which ended October 26, 1990, the lease on 38 tractors expired. These tractors were replaced with 38 new tractors under a capital lease. These tractors accounted for the cash used by investing activities and the lease accounted for the cash provided by financing activities.

Increases in notes receivable during the quarter ended January 31, 1992 resulted in the use of cash by investing activities

During the quarters ended January 31, 1992, cash was used in financing activities to retire long term debt. Other sources and uses of cash in financing activities were the routine sale on stock and reduction in long term debt.

Operating Results - During the twenty-seven weeks ended January 31, 1992 compared to the twenty-six weeks ended January 25, 1991, annualized, sales decreased 0.4%, operating expenses increased 7.2%, leading to a 0.2% decline in patronage dividends.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Reports of Form 8-K - There were no reports on form 8-K for the twenty-seven weeks ended January 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

PIGGLY WIGGLY ALABAMA DISTRIBUTING CO., INC.
(Registrant)

Dated: 3-12-92

J. Terrell Wooten

J. Terrell Wooten, President and Chief Executive Officer

Dated: 3-12-92

Bobby L. Martin, Principal Financial Officer and Controller

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1992

Commission file number: 0-16961

Pride Petroleum Services, Inc.
(Exact name of registrant as specified in its charter)

Louisiana	76-0069030
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3040 Post Oak Boulevard, Suite 1500, Houston, Texas	77056
(Address of principal executive offices)	(Zip Code)

713-871-8567
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____.

Title of Class	Outstanding as of March 31, 1992
Common Stock, no par value	15,923,647

Exhibit index is located on page 12

Total number of pages 14

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Pride Petroleum Services, Inc.

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PRIDE PETROLEUM SERVICES, INC.

CONSOLIDATED BALANCE SHEET

(Dollars in thousands)

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 19,546	$ 17,036
Trade receivables, net of allowance for doubtful accounts of $994 and $870, respectively	14,076	15,120
Parts and supplies	1,682	1,591
Other current assets	1,986	1,635
Total current assets	37,290	35,382
PROPERTY AND EQUIPMENT, AT COST	138,590	138,211
ACCUMULATED DEPRECIATION	(92,841)	(91,787)
Net property and equipment	45,749	46,424
INVESTMENTS, AT COST	5,664	6,113
OTHER ASSETS	1,791	1,900
Total assets	$ 90,494	$ 89,819
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 2,628	$ 4,007
Accrued expenses	10,303	8,076
Current portion of long term debt	10	10
Total current liabilities	12,941	12,093
LONG TERM DEBT, net of current portion	4,502	4,908
DEFERRED INCOME TAXES	10,517	10,442
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock no par value; authorized 30,000,000; issued 15,987,867 and 15,987,367; outstanding 15,923,647 and 15,923,647 respectively	1	1
Paid-in-capital	53,620	53,620
Unamortized restricted stock awards	(12)	(17)
Treasury stock, at cost	(235)	(235)
Retained earnings since May 31, 1988	9,160	9,007
Total shareholders' equity	62,534	62,376
Total liabilities and shareholders' equity	$ 90,494	89,819

The accompanying notes are an integral part of the consolidated financial statements

PRIDE PETROLEUM SERVICES, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
REVENUES	$ 23,969	$ 29,009
COSTS AND EXPENSES		
Operating costs	19,049	22,541
Depreciation and amortization	1,409	1,506
Selling, general and administrative	3,453	3,307
Total costs and expenses	23,911	27,354
Earnings from operations	58	1,655
OTHER INCOME (EXPENSE)		
Other income (expense)	17	(41)
Interest income	187	170
Interest expense	(2)	(5)
Total other income	202	124
Earnings before income taxes	260	1,779
INCOME TAX PROVISION	107	675
NET EARNINGS	$ 153	$ 1,104
NET EARNINGS PER SHARE	.01	.07
AVERAGE SHARE OF COMMON STOCK AND COMMON STOCK EQUIVALENTS OUTSTANDING	16,252	16,405

The accompanying notes are an integral part of the consolidated financial statements.

PRIDE PETROLEUM SERVICES, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in Thousands)

(Unaudited)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 153	$ 1,104
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,409	1,506
Deferred tax provision (benefit)	75	(50)
Gain on sale of assets	(154)	(67)
Amortization of restricted stock awards	5	4
Changes in working capital:		
Trade receivables	1,044	(718)
Parts and supplies	(91)	(26)
Other current assets	(351)	(2,155)
Accounts payable	(1,379)	495
Accrued expenses	2,227	1,980
Net cash provided by operating activities	2,938	2,073
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts from MRT commercial paper	449	665
Purchase of property and equipment	(664)	(856)
Proceeds from sale of property and equipment	193	88
Net cash used in investing activities	(22)	(103)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	-	4
Payments on long term debt	(406)	(266)
Net cash used in financing activities	(406)	(262)
Net increase in cash and cash equivalents	2,510	1,708
Cash and cash equivalents at beginning of period	17,036	8,870
Cash and cash equivalents at end of period	$ 19,546	$ 10,578

The accompanying notes are an integral part of the consolidated financial statements.

1. General

The consolidated financial statements included herein are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles. These financial statements should be read in conjunction with Pride Petroleum Services, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1991.

In the opinion of management the unaudited consolidated financial statements reflect all adjustments of a normal recurring nature necessary to present fairly the financial position of Pride Petroleum Services, Inc. as of March 31, 1992 and the results of its operations for the three month periods ended March 31, 1992 and 1991 and cash flows for the three month periods ended March 31, 1992 and 1991.

Coopers & Lybrand, independent certified public accountants, reviewed, prior to filing, the consolidated balance sheet as of March 31, 1992, and the consolidated statement of operations and cash flows for the three month periods ended March 31, 1992 and 1991. Their review was conducted in accordance with standards established by the American Institute of Certified Public Accountants, and their report is included herein.

2. Commitments and Contingencies

The Company and its subsidiaries are defendants in various legal actions arising in the normal course of their business activities. In the opinion of management, these actions will not have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company is self-insured with respect to physical damage or loss to its vehicles, rigs (except for 10 of its largest rigs which the Company insures with a $25,000 deductible per occurrence) and equipment. For 1992, the Company has an insurance deductible of $350,000 per occurrence for worker's compensation claims and a $150,000 deductible per occurrence for automobile and general liability claims.

At March 31, 1992, the Company had letters of credit outstanding totaling $11,996,000. These letters of credit guarantee the funding of possible worker's compensation and general liability claims. Cash and cash equivalents have been pledged as security for $9,596,000 of these letters of credit. The Company, under existing lines of credit, has the flexibility to replace or reduce the pledge of cash and cash equivalents by pledging accounts receivable.

3. Other Current Assets

A summary of other current assets consisted of the following:

	March 31, 1992	December 31, 1991
	(In Thousands)	
Other Receivables	$ 531	$ 768
Prepaid Expenses	1,455	867
Total	$1,986	$1,635

4. Mortgage & Realty Trust Investment and Related Non-Recourse Long Term Debt

Through March 31 1992, the Company has received payments under the reorganization plan for Mortgage & Realty Trust ("MRT") totaling $2,762,000. Such payments consisted of $1,331,000 of interest for the period from April 12, 1990 to March 31, 1992 and $1,431,000 for return of principal on the investment in MRT commercial paper. From such proceeds $738,000 was paid out for interest on the MRT related non-recourse loan for the period from September 28, 1990 to March 31, 1992. The net proceeds of $2,024,000 were applied to reduce the MRT investment to $5,66[illegible],000. In addition, $1,431,000 of the MRT proceeds were paid out to reduce the principal amount of the MRT related non-recourse loan to $4,399,000. In the interest of conservatism, the Company has not accrued interest income related to the MRT investment nor interest expense related to the MRT related non-recourse loan.

As a result of the above payments, the Company at March 31, 1992 has a net carrying amount for the MRT investment and related non-recourse loan of $1,265,000 for financial statement purposes. The Company maintains the right to receive payments ultimately made by MRT on the balance of $1,943,000 principal (such amount representing the unpaid principal and interest on the MRT commercial paper of $6,342,000 less the non-recourse loan balance of $4,399,000) plus interest to the date of payment.

5. Accrued Expenses

Accrued expenses consisted of the following:

	March 31, 1992	December 31, 1991
	(In Thousands)	
Insurance	$ 6,115	$5,388
Payroll	1,783	845
Taxes, Other than Income	1,155	665
Other	1,250	1,178
Total	$10,303	$8,076

6. Net Earnings Per Share

Net earnings per share of common stock are calculated by dividing the net earnings by the average shares of common and common stock equivalents (stock options) outstanding for the three month periods ended March 31, 1992 and 1991. Fully diluted net earnings per share is not presented because such amounts would be the same as amounts computed for primary net earnings per share. The following table presents information necessary to calculate primary net earnings per share for the three month periods ended March 31, 1992 and 1991.

	Three Months Ended March 31,	
	1992	1991
	(Dollars in thousands except per share amounts)	
Common shares outstanding..................	15,923,647	15,972,847
Effect of using weighted average common and common equivalent shares outstanding..	0	(689)
Net additional shares outstanding assuming dilutive stock options exercised and proceeds used to purchase treasury stock at average market price...........................	328,494	433,042
Average shares of common stock and common stock equivalents outstanding.............	16,252,141	16,405,200
Net earnings for per share computation....	$ 153	$ 1,104
Primary net earnings per share............	$ .01	$ .07

7. Supplemental Disclosures of Cash Flow Information

Cash paid for interest during the three month periods ended March 31, 1992 and 1991 was $2,000 (excluding the $101,000 for interest paid for the MRT related non-recourse loan - see Note 4 "MRT Investment and Related Non-Recourse Long Term Debt"), and $5,000, (excluding the $230,000 for interest paid for the MRT related non-recourse loan), respectfully. During the three months ended March 31, 1992, the Company paid $2,000 for income taxes. No payments were made for income taxes during the period ended March 31, 1991.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors of
Pride Petroleum Services, Inc.:

We have made a review of the consolidated balance sheet of Pride Petroleum Services, Inc. as of March 31, 1992, and the related consolidated statements of operations and cash flows for the three month periods ended March 31, 1992 and 1991, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1991, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 14, 1992, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying balance sheet as of December 31, 1991, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Coopers & Lybrand

Houston, Texas
April 28, 1992

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements of Pride at March 31, 1992 and for the three month periods ended March 31, 1992 and 1991 included elsewhere herein, and with the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

RESULTS OF OPERATIONS

Net earnings for the quarter ended March 31, 1992 were $153,000 or $.01 per share compared to net earnings of $1,104,000 or $.07 per share for the corresponding period in 1991. Earnings from operations for the first quarter of 1992 were $58,000 (including a gain on the sale of assets of $154,000) compared to earnings from operations of $1,655,000 (including a gain on the sale of assets of $67,000) for the first quarter of 1991.

Revenues for the first quarter of 1992 were $23,969,000 or $5,040,000 less than the same period last year. This 17% decrease in revenues was primarily attributable to the weakening demand for domestic well servicing caused by depressed natural gas prices and speculation that the price of oil (currently, $20 per barrel) could drop. Rig hours worked declined, for the fifth consecutive quarter, to 157,035 hours for the three months ended March 31, 1992 compared to 193,747 hours for the same period last year. However, rig rates during the first quarter 1992 remained commensurate with year-end levels.

Operating costs decreased to $19,049,000 for the three months ended March 31, 1992 compared to $22,541,000 for the corresponding period in 1991 primarily because of reduced rig hours worked. As a percent of revenue, operating costs were approximately 2% higher over the previous year since the Company's expanded rig fleet (33 rigs were acquired in 1991) worked 36,712 hours less than the smaller rig fleet in the first quarter of 1991. Depreciation and amortization decreased $97,000 principally as a result of the Company replacing previously owned vehicles with leased vehicles during 1991.

Selling, general and administrative expenses increased in total dollars by 4% and increased by 3% as a percent of revenue for the three months ended March 31, 1992 compared to the corresponding 1991 period. Additional costs associated with the Company's domestic acquisitions, costs associated with the Company's proposed Russian projects and other international efforts combined with lower revenues caused these increases.

OTHER INCOME AND EXPENSE

Other income and expense for the three months ended March 31, 1992 included income of $16,000 for the phantom stock units of the Company resulting from a decrease in the Company's Common stock price during the first quarter of 1992 versus $41,000 of expense for the corresponding 1991 period. In addition, net interest income (interest income less interest expense) for the 1992 period totaled $185,000 as compared to $165,000 for the 1991 period. Net interest income increased from the comparable period last year primarily due to a higher level of cash available for temporary cash investments which was partially offset by lower interest rates during the 1992 period.

GENERAL

Future revenues and earnings will depend upon the level of well servicing activity, which historically has been driven by crude oil and natural gas prices. Since the conclusion of the Persian Gulf War, energy prices have declined resulting in weak well servicing rig activity. The continued weakness in the price of natural gas has caused a number of cur domestic customers to severely restrict their expenditures for servicing gas wells and to reduce their expenditures for servicing oil wells.

FINANCIAL CONDITION AND LIQUIDITY

At March 31, 1992, Pride had $24,349,000 in working capital and a 2.88 to 1 current ratio. The accounts payable trade balance of $2,628,000 at the end of the first quarter of 1992 decreased from $4,007,000 at December 31, 1991 due to the decrease in well servicing activity. At March 31, 1992, the accrued expenses balance increased to $10,303,000 from $8,076,000 primarily due to the increases in wages payable and associated payroll taxes, along with increases in claims payable for workers' compensation and group insurance.

Through March 31, 1992, the Company has received payments under the reorganization plan for Mortgage & Realty Trust ("MRT") totaling $2,762,000. The Company expects to receive payments from MRT on the balance of the investment in the MRT commercial paper plus interest to the date of such expected payments. See Note 4 " Mortgage & Realty Trust Investment and Related Non-Recourse Long Term Debt" to the Consolidated Financial Statements.

The Company has obtained bank commitments which provide for guidance lines of credit of $10,000,000 plus an additional $10,000,000 for the issuance of letters of credit. As of March 31, 1992, no advances had been made under the lines of credit. Letters of credit aggregating $9,596,000 had been issued at March 31, 1992.

Capital expenditures were $664,000 for the three months ended March 31, 1992. Management believes its working capital together with its operating cash flows and guidance lines of credit will be sufficient to cover normal and expected working capital needs and capital expenditures.

Part II

OTHER INFORMATION

Item 1. Legal Proceedings

The Company and its subsidiaries are defendants in various legal actions arising in the normal course of their business activities. In the opinion of management, these actions will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description	Page
15	Awareness Letter of Independent Accountants	14

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRIDE PETROLEUM SERVICES, INC.

Ray H. Tolson
President, Chief Executive
Officer, and Director

Eugene C Fowler

Eugene C. Fowler
Vice President, Chief
Financial Officer,
and Secretary

Date: May 13, 1992

EXHIBIT 15

Coopers & Lybrand's Awareness Letter

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

RE: Pride Petroleum Services, Inc.
Registration Statements on Form S-8

We are aware that our report dated April 28, 1992 on our review of interim consolidated financial information of Pride Petroleum Services, Inc. for the periods ended March 31, 1992 and 1991 and included in this Form 10-Q is incorporated by reference in the Company's registration statements on Form S-8 filed with the Securities and Exchange Commission on February 6, 1989 and December 30, 1991. Pursuant to Rule 436(c) under the Securities Act of 1933, this report should not be considered a part of the registration statements prepared or certified by us within the meanings of Sections 7 and 11 of that Act.

Coopers & Lybrand

Houston, Texas
May 13, 1992

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

For Quarter Ended March 31, 1992

Commission File Number: 0-18044

PROCYTE CORPORATION

(Exact name of the registrant as specified in its charter)

Washington (State of incorporation)	91-1307460 (I.R.S. Employer Identification No.)
12040 115th Avenue N.E., Suite 210, Kirkland, WA (Address of principal executive offices)	98034-6900 (Zip code)

Registrant's telephone number, including area code: (206)820-4548

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for 90 days. Yes [X] No [ ]

As of April 30, 1992, there were issued and outstanding 6,007,235 shares of common stock, par value $.01 per share.

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ProCyte Corporation

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		Notes to Financial Statements	9
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Signatures			15

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The following Financial Statements of ProCyte Corporation have been prepared by the Company without audit, but in the opinion of management include all material adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of financial position and results of operation for the dates and periods presented.

Pursuant to the rules and regulations of the Securities and Exchange Commission applicable to Form 10-Q, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted if they would not materially be changed from the Company's latest Annual Report on Form 10-K. Accordingly, this financial information should be read in conjunction with the complete Financial Statements, including the notes thereto and the auditors' opinion which are included in the Company's Form 10-K for the year ended December 31, 1991.

Interim results are not necessarily indicative of results for the full fiscal year.

ProCyte Corporation
(a development stage company)
Balance Sheets

ASSETS

	March 31, 1992 (unaudited)	December 31, 1991
CURRENT ASSETS		
Cash and cash equivalents	$ 4,232,459	$ 5,405,585
Other	51,919	49,600
Total current assets	4,284,378	5,455,185
PROPERTY AND EQUIPMENT, at cost		
Equipment	1,274,222	1,254,332
Leasehold improvements	1,143,322	1,143,322
Less accumulated depreciation and amortization	(989,335)	(909,902)
Property and equipment, net	1,428,209	1,487,752
PATENTS, at cost	495,553	468,304
Less accumulated amortization	(15,414)	(13,314)
Patents, net	480,139	454,990
OTHER	300,000	300,000
TOTAL ASSETS	$ 6,492,726	$ 7,697,927

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992 (unaudited)	December 31, 1991
CURRENT LIABILITIES		
Accounts payable	$ 301,697	$ 152,135
Accrued liabilities	96,660	132,477
Total current liabilities	398,357	284,612
DEFERRED LEASE PAYMENTS	60,276	57,311
DEFERRED STATE SALES TAXES	94,713	94,713
COMMITMENTS		
STOCKHOLDERS' EQUITY		
Preferred stock $.01 par value: 2,000,000 shares authorized; no shares issued or outstanding		
Common stock $.01 par value: 30,000,000 shares authorized; shares issued and outstanding 6,006,775 - 1992 and 5,997,891 - 1991	60,068	59,979
Additional paid-in capital	16,307,490	16,285,482
Deficit accumulated during the development stage	(10,227,750)	(8,861,180)
Unearned compensation	(200,428)	(222,990)
Total stockholders' equity	5,939,380	7,261,291
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6,492,726	$ 7,697,927

ProCyte Corporation
(a development stage company)

Statements of Operations
(unaudited)

	Three months ended March 31		January 1, 1985 (predecessor inception) to March 31,
	1992	1991	1992
REVENUES (Note 4)			
Contract research and development		$ 125,000	$ 2,124,295
License fees			600,000
Interest income	$ 50,732	164,827	1,895,460
Other			697,764
Total revenues	50,732	289,827	5,317,519
COSTS AND EXPENSES			
Research and development	1,120,720	837,760	12,123,796
General and administrative	296,582	306,672	3,424,261
Total costs and expenses	1,417,302	1,144,432	15,548,057
NET LOSS	$(1,366,570)	$ (854,605)	$ (10,230,538)
NET LOSS PER COMMON SHARE	$ (0.23)	$ (0.14)	$ (2.30)
Weighted average number of common shares used in computing net loss per common share	6,005,157	5,953,271	4,454,703

See notes to financial statements

ProCyte Corporation
(a development stage company)
Statements of Cash Flows
(unaudited)

	Three months ended March 31		January 1, 1985 (predecessor inception) to March 31,
OPERATING ACTIVITIES	1992	1991	1992
Net Loss	$ (1,366,570)	$ (854,605)	$ (10,230,538)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	79,433	138,723	1,240,005
Patent expense	2,100	42,416	66,807
Amortization of discount on marketable securities		(3,248)	(15,625)
Stock grants		4,213	41,087
Compensation expense on stock options	15,602	6,814	114,330
Changes in assets and liabilities:			
Increase in other current assets	(2,319)	(30,628)	(51,921)
Increase in accounts payable	149,562	8,241	216,578
Increase (decrease) in accrued liabilities	(35,817)	(36,849)	41,752
Decrease in deferred income		(125,000)	
Increase in deferred lease payments	2,965	2,964	60,276
Net cash used in operating activities	(1,155,044)	(844,959)	(8,517,249)
FINANCING ACTIVITIES			
Proceeds from issuance of stock - net	29,057	4,329	15,638,295
Proceeds from borrowings			500,000
Net cash provided by financing activities	29,057	4,329	16,138,295
INVESTING ACTIVITIES			
Purchase of property and equipment	(19,890)	(14,439)	(2,572,283)
Interest-bearing lease deposit			(300,000)
Purchase of marketable securities		(7,424,326)	(38,136,590)
Proceeds from sale or redemption of marketable securities		12,109,021	38,152,215
Patents:			
Expenditures	(27,249)	(2,545)	(562,329)
Reimbursements		3,656	30,400
Net cash provided by (used in) investing activities	(47,139)	4,671,367	(3,388,587)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,173,126)	3,830,737	4,232,459
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,405,585	437,699	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 4,232,459	$ 4,268,436	$ 4,232,459
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING AND INVESTING ACTIVITIES			
Conversion of debt to common stock			$ 500,000
Issuance of stock for patents			$ 27,790

See notes to financial statements

ProCyte Corporation
(a development stage company)
Statements of Stockholders' Equity
(unaudited)

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Unearned Compensation	Total
	Shares	Par Value				
Balance, September 22, 1986 (Company inception)						
Issuance to Iama, Inc. for certain assets ($.03 per share) - September 22	835,200	$ 8,352	$ 20,505			$ 28,857
Issuance for cash ($.09 per share) September 22	290,000	2,900	21,800			24,700
Issuance for services ($.09 per share) December 31	17,400	174	1,326			1,500
Net loss				$ (22,476)		(22,476)
Balance, December 31, 1986	1,142,600	11,426	43,631	(22,476)		32,581
Other issuance to officer for cash ($.09 per share) January 29	92,800	928	7,072			8,000
Issuance for services ($.09 per share) February 19	17,400	174	1,326			1,500
Issuance for cash ($.86 per share) March 19 to May 27	1,403,600	14,036	1,191,925			1,205,961
Net loss				(649,333)		(649,333)
Balance, December 31, 1987	2,656,400	26,564	1,243,954	(671,809)		598,709
Issuance for cash ($1.51 per share) April 29 to June 22	297,373	2,974	441,791			444,765
Issuance for cash ($1.51 per share) July 25	251,140	2,511	373,103			375,614
Issuance for cash ($2.16 per share) August 2	742,400	7,424	1,480,734			1,488,158
Exercise of stock options ($.86 per share) October 31	1,160	12	988			1,000
Net loss				(1,451,540)		(1,451,540)
Balance, December 31, 1988	3,948,473	39,485	3,540,570	(2,123,349)		1,456,706
Issuance to Schering Corporation for cash ($5.76 per share) May 18	433,724	4,337	2,493,314			2,497,651
Conversion of debt to common stock ($2.16 per share) May 26	232,000	2,320	497,680			500,000
Grants to officers for services ($5.76 per share) July 27	3,472	35	19,965			20,000
Issuance for cash - Initial public offering ($8.00 per share) November 16	1,300,000	13,000	9,284,318			9,297,318
Compensatory stock option grants October 2			183,270		$(183,270)	
Amortization of unearned compensation					6,490	6,490
Net loss				(617,714)		(617,714)
Balance, December 31, 1989 (Forward)	5,917,669	$ 59,177	$16,019,117	$(2,741,063)	$(176,780)	$13,160,451

ProCyte Corporation
(a development stage company)
Statements of Stockholders' Equity - Continued
(unaudited)

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Unearned Compensation	Total
	Shares	Par Value				
Balance, December 31, 1989 (Forward)	5,917,669	$ 59,177	$16,019,117	$ (2,741,063)	$ (176,780)	$13,160,451
Compensatory stock option grants January 9			6,500		(6,500)	
Grant to officer for services ($5.63 per share) May 1	3,000	30	16,845			16,875
Exercise of stock options						
($2.16 per share) May 15 to July 9	3,132	31	6,733			6,764
($.86 per share) June 22 to July 24	27,276	273	23,185			23,458
Amortization of unearned compensation					35,148	35,148
Net loss				(2,189,019)		(2,189,019)
Balance, December 31, 1990	5,951,077	59,511	16,072,380	(4,930,082)	(148,132)	11,053,677
Exercise of stock options						
($5.76 per share) January 17	5		29			29
($.86 per share) February 28	5,000	50	4,250			4,300
Grant to officer for services ($5.50 per share) February 4	766	7	4,205			4,212
Amortization of unearned compensation					8,814	8,814
Net loss				(854,605)		(854,605)
Balance, March 31, 1991	5,956,848	$ 59,568	$16,080,864	$(5,784,687)	$(139,318)	$10,216,427
Exercise of stock options						
($5.76 per share) May 28	111	1	638			639
($.86 per share) Aug. 20 to Dec. 12	21,444	214	18,227			18,441
($2.16 per share) May 7 to Dec 30	16,688	168	35,878			36,046
($7.00 per share) November 5	200	2	1,398			1,400
($5.63 per share) December 12	600	6	3,369			3,375
($6.59 per share) December 12	2,000	20	13,160			13,180
Compensatory stock option grants April 1			131,948		(131,948)	
Amortization of unearned compensation					48,276	48,276
Net loss				(3,076,493)		(3,076,493)
Balance, December 31, 1991	5,997,891	$ 59,979	$16,285,482	$(8,861,180)	$(222,990)	$7,261,291
Exercise of stock options						
($2.16 per share) Jan. 1 to Jan.15	4,020	40	8,643			8,683
($.86 per share) January 13	1,800	18	1,530			1,548
($5.63 per share) January 20	200	2	1,123			1,125
($4.62 per share) January 20	400	4	1,844			1,848
($6.59 per share) January 26	2,000	20	13,160			13,180
($5.76 per share) March 11	464	5	2,668			2,673
Cancel compensatory stock option grants March 13			(6,960)		6,960	
Amortization of unearned compensation					15,602	15,602
Net loss				(1,366,570)		(1,366,570)
Balance, March 31, 1992	6,006,775	$ 60,068	$16,307,490	$(10,227,750)	$(200,428)	$5,939,380

See notes to financial statements

ProCyte Corporation
(a development stage company)
Notes to Financial Statements (unaudited)

1. REFERENCE TO ANNUAL REPORT

Reference is made to the Notes to Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991 for certain information and footnote disclosures that have been condensed or omitted herein. The accompanying interim Financial Statements should be read in conjunction with audited Financial Statements included in such Annual Report.

2. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business:

ProCyte Corporation commenced operations on September 22, 1986 (inception). The Company is a development stage pharmaceutical company engaged in the research and development of a new class of human therapeutic products based upon a family of proprietary peptide-copper compounds. It is pursuing drug candidates in the areas of dermal ulcers, inflammatory bowel disease, peptic ulcers, hair growth, bone healing and other potential applications. To date, the Company's research and development program has focused principally on human wound healing. The Company has incurred losses of approximately $10.2 million to date and expects losses to continue during its ongoing research and development phases.

Federal income taxes:

Tax benefits for net operating losses and research and development tax credits will be recognized in the Financial Statements if and when they are utilized.

Net loss per common share:

Net loss per common share is based upon the weighted average number of common shares outstanding. Common stock equivalents include shares issuable upon the exercise of stock options. However, these shares are not considered in the computation of the net loss per common share because the effect would be anti-dilutive.

3. CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At March 31, 1992 cash equivalents consisted primarily of U.S. Treasury money fund investments.

4. LICENSE AND SUPPLY AGREEMENT - SCHERING CORPORATION

In May 1989, the Company and Schering Corporation entered into a License and Supply Agreement (the "Agreement") covering the development, manufacturing and marketing of the Company's Iamin® compound and analogs for human wound healing products for topical, intradermal and subcutaneous applications. The Company earned research funding revenues under the Agreement of $125,000 for the three months ended March 31, 1991.

In April 1991, the companies mutually terminated the agreement. As a result, all rights granted to Schering were returned to the Company and the Company assumed responsibility for clinical trials related to the wound healing compounds. No additional cash payments were required as result of the termination.

5. STOCKHOLDERS' EQUITY

At March 31, 1992, options for 286,355 shares of common stock were vested and currently exercisable at prices ranging from $.09 to $7.75 per share.

Information relating to stock options granted, exercised and cancelled is as follows:

	Shares subject to option	Option price range
Balance, January 1, 1991	660,426	$.09 - $7.75
Granted	8,000	$4.62 - $5.00
Exercised	5,005	$.86 - $5.76
Cancelled	119,771	$1.66 - $7.75
Balance, March 31, 1991	543,650	$.09 - $7.75
	======	
Balance, January 1, 1992	806,788	$.09 - $7.75
Granted	236,000	$9.14 - $11.25
Exercised	8,884	$.86 - $5.76
Cancelled	10,976	$1.66 - $7.75
Balance, March 31, 1992	1,022,928	$ .09 - $7.75
	=======	

In first quarter 1992, the Compensation Committee of the Board of Directors granted incentive stock options to purchase 36,000 shares of common stock to employees of the Company. The Board of Directors also granted nonqualified stock options to purchase 200,000 shares to an officer of the Company. Said options are subject to vesting schedules.

Since March 31, 1992, the Compensation Committee of the Board of Directors has granted incentive stock options to purchase 3,000 shares of common stock to employees of the Company. Said options are subject to vesting schedules.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

Liquidity and Capital Resources

At March 31, 1992, the Company had cash and cash equivalents of approximately $4.2 million.

On March 13, 1992, the Company filed a registration statement for a proposed offering of 2,000,000 shares of the Company's authorized but unissued Common Stock. On May 11, 1992, the Company filed an amendment with the Securities and Exchange Commission reducing the size of the registration to 1.25 million shares. The net proceeds of the offering are estimated to be $6.7 million. There can be no assurance that the Company will be able to successfully complete this offering. The net proceeds of the proposed offering and the Company's existing cash resources will not be sufficient to fund the Company's operations through the commercialization of its first product. The Company will be required to raise additional capital through equity offerings, strategic alliances, or other sources.

Operating Expenses

The Company has incurred operating losses since its inception due to financial and regulatory requirements required to support research, development and clinical studies of its proprietary technology. In particular, the Company has supported and continues to finance clinical trials for Iamin®, for treatment of chronic dermal wounds, and Tricomin™, for hair loss prevention. The Company also plans to expand clinical trials of Iamin-IB™, for treatment of inflammatory bowel disease, under a collaborative research and development program with an academic or industry sponsor. The Company is in preliminary discussions with several potential sponsors, but has yet to enter into any collaboration agreement. A fourth drug, Cytril™, for prevention and treatment of peptic ulcers, is ready for clinical testing, but the Company will delay so doing until a corporate strategic partner or other financing is arranged. The Company expects to incur additional operating losses for a number of years until product sales occur. At March 31, 1992, the Company's accumulated deficit was approximately $10.2 million.

Revenues

Historically, the Company's principal sources of revenue have been contract research and development revenues, fees from licenses and from options to evaluate technology and interest earned on short-term investments.

Contract research and development revenues were $940,977, $1,058,318 and $125,000 in 1989, 1990 and 1991, respectively. No such fees were earned in the three months ended March 31, 1992. Currently, the Company has no agreement to provide contract revenue.

The only license revenues during the three-year period ended December 31, 1991 consisted of a $500,000 nonrefundable license fee earned under the agreement with Schering in 1989. The Company currently has no agreement to license its technology.

Interest income decreased to $50,732 for the three month period ending March 31, 1992 from $164,827 for the same period in 1991, as a result of reduced cash available for investment.

Expenses

Research and development expenses for the three month period ended March 31, 1992 increased to $1,120,720 from 837,760 for the same period in 1991. The increase was primarily due to initiation of Phase II clinical trials of Iamin in the second quarter of 1991 and toxicology testing of other drug candidates.

General and administrative expenses for the three month period ended March 31, 1992 decreased $10,090 from the same period in 1991. The decrease was primarily attributable to the 1991 write-off of patent application costs which did not recur in 1992, offset by an increase in expenses related to shareholder communication services and licensing efforts in Asia. The Company expects the dollar amount of all expenses to increase as a result of planned expansion of its research and development activities and clinical trials in 1992 and future years.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There are no material legal proceedings pending to which the Company is a party.

Item 2 Changes in Securities

The constituent instruments defining the rights of the holders of any class of securities were not modified nor were the rights evidenced by any class of registered securities materially limited or qualified during the period covered by this report.

Item 3. Defaults Upon Senior Securities

No defaults occurred during the period covered in this report.

Item 4. Submission of Matters to a Vote of Security Holders

During the three months ended March 31, 1992, no matters were submitted to a vote of the security holders. On April 1, 1992, proxy soliciting material was forwarded, pursuant to Regulation 14 under the Act, to the shareholders of record as of March 9, 1992 for the Annual Meeting of the Shareholders, held May 8, 1992. The four items submitted to the shareholders for a vote all passed by the required majority. The filing of the Proxy Statement and Proxy Card are incorporated herein by reference.

Item 5. Exhibits and Reports on Form 8-K

(a) Exhibits - None required
(b) No reports on Form 8-K were filed during the quarter ended March 31, 1992.

ProCyte Corporation
Index to Exhibits

Description	Page
None Required	

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PROCYTE CORPORATION
(REGISTRANT)

Date: May 13, 1992

By Joseph
Joseph Ashley,
Chairman, President and C.E.O.

Date: May 13, 1992

By:
David H. Fulle
Controller

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 1992

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________________ to __________________

Commission File Number: 33-43331

TREMONT ADVISERS, INC.
(Exact name of registrant as specified in its charter)

Delaware	06-1210532
(State or other jurisdiction or incorporation or organization)	(I.R.S. Employer Identification No.)

39 Pine Street, New Canaan, Connecticut	06840
(Address of principal executive offices)	(Zip Code)

(203)966-4074
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of the Registrant's Class A Common Stock, no par value, as of the close of business on April 30, 1992 was 1,284,718.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

- Condensed Consolidated Statement of Income - three months ended March 31, 1992 and 1991 (Unaudited).
- Condensed Consolidated Balance Sheet March 31, 1992 (Unaudited) and December 31, 1991 (Audited)
- Condensed Consolidated Statement of Cash Flow - three months ended March 31, 1992 and 1991 (Unaudited).
- Notes to Financial Statements.

Item 2.

- Managements Discussion and Analysis of Financial Condition and Results of Operations.

Part II - Other Information

Item 6.

- There were no reports on Form 8-K filed during the three month period ended March 31, 1992.

Tremont Advisers, Inc.

Condensed Consolidated Balance Sheets

	March 31, 1992 (Unaudited)	December 31, 1991 (Audited)
Assets		
Current Assets		
Cash	$577,894	$ 28,194
Accounts receivable, less allowance for bad debts of $10,000 in 1992 and $10,000 in 1991	180,319	75,438
Receivable from Tremont Investors, L.P.	50,000	-
Deferred offering costs	-	70,000
Prepaid expenses	4,800	3,794
Total current assets	813,013	177,426
Fixed assets:		
Furniture and equipment	181,190	178,651
Less accumulated depreciation	(163,963)	(161,064)
	17,227	17,577
Other Assets	13,248	-
Client contracts:		
Cost	40,225	40,225
Less accumulated amortization	(17,686)	(16,791)
	22,539	23,434
Total assets	$866,027	$218,437
Liabilities and shareholders' deficiency		
Current liabilities:		
Accounts payable	$59,970	-
Accrued expenses and unearned income	44,311	$ 51,717
Due to Lynch Corporation	-	86,667
Total current liabilities	104,281	138,384
Redeemable preferred stock:		
Series A Preferred Stock, $1 par value 650,000 shares authorized, 500,000 shares issued and outstanding	500,000	500,000
Shareholders' deficiency:		
Preferred Stock $1 par value, 350,000 shares authorized, none issued and outstanding	-	-
Class A Common Stock, $0.01 par value, 5,000,000 shares authorized, none issued at 12/31/91 and 1,284,718 issued and outstanding at 3/31/92	12,847	-
Class B Common Stock, $0.01 par value, 2,500,000 shares authorized, 1,586,072 shares issued and outstanding at 12/31/91 and 2,286,072 shares issued and outstanding at 3/31/92	22,861	15,861
Additional paid in capital	2,668,368	1,994,328
Accumulated deficit	(2,442,330)	(2,430,136)
Total shareholders' deficiency	$261,747	(419,947)
Total liabilities and shareholders' deficiency	$866,027	$218,437

See Notes to Condensed Consolidated Financial Statements.

Tremont Advisers, Inc.

Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31	
	1992	1991
Revenues		
Consulting fees and charges	$261,341	$91,679
Operating expenses		
Compensation expense	143,485	84,979
Consulting fees	7,407	-
General and administrative expenses	121,901	68,014
Depreciation	2,890	8,694
Amortization of client contracts	895	895
Total operating expenses	(276,578)	(162,582)
Operating loss	(15,237)	(70,903)
Other income (expense)		
Interest income	3,044	-
Interest expense	-	(30,417)
	3,044	(30,417)
Net Income (loss)	$ (12,193)	$(101,320)
Weighted average shares outstanding	3,570,790	3,570,790
Net loss per share	$(0.003)	$(0.03)

See Notes to Condensed Consolidated Financial Statements.

Tremont Advisers, Inc.

Condensed Consolidated Statements of Cash Flows

	Three Months Ended March 31	
	1992	1991
Operating activities		
Net loss	$(12,193)	$(101,320)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	3,785	9,589
Accrued interest and management fee due Lynch Corporation	(16,667)	42,917
Changes in operating assets and liabilities:		
Accounts receivable	(104,881)	43,956
Receivable from Tremont Investors, L.P.	(50,000)	-
Accounts payable and accrued expenses	52,564	-
Other	(14,256)	-
Net cash used by operating activities	(141,648)	(4,858)
Investing activities		
Purchase of fixed assets	(2,539)	-
Net cash used by investing activities	(2,539)	-
Financing activities		
Proceeds from Offering	693,887	-
Net cash provided by financing activities	693,887	-
Net increase (decrease) in cash	549,700	(4,858)
Cash at beginning of period	28,194	21,047
Cash at end of period	$577,894	$16,189

See Notes to Condensed Consolidated Financial Statements.

Tremont Advisers, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited)

Item 1. Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE A. SUBSIDIARIES OF THE REGISTRANT

The present operating subsidiaries of the Registrant are as follows:

Tremont Consulting, Inc.
Tremont (Bermuda) Limited
Tremont Investors, Inc.
Tremont Partners, Inc.

NOTE B. BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (normal and recurring in nature) necessary for a fair presentation have been included. Operating results for the three month period ending March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

Per Share Calculations: As of March 31, 1991 there were issued and outstanding: 1,284,718 shares of Class A Common Stock, $0.01 par value; 2,286,072 shares of Class B Common Stock, $0.01 par value; and 500,000 shares of Series A Preferred Stock, $1 par value. Per share amounts are based on the weighted average number of Common shares outstanding.

NOTE C. INCOME TAXES

The Company paid no income taxes in 1991 as the accounts of the Company were included in the consolidated federal and combined state income tax returns filed by Lynch Corporation through 1991. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991. The management does not believe that the Company will have any significant tax liability in 1992.

NOTE D. CHANGES IN CAPITALIZATION

The Company issued non-transferable rights (the "Rights") to the shareholders of record of Lynch Corporation ("Lynch") on November 1, 1991 (the "Record Date"). Each Right entitled the holder to subscribe for and purchase one share of Class A Common Stock, $0.01 par value, of the Company at $0.40 per share ("the Shares"). Pursuant to the terms of the offering, dated January 6, 1992 (the "Offering"), each holder of Rights could subscribe for and purchase additional Shares to the extent such additional Shares were available due to non-exercise of Rights by other holders (the "Over-subscription Privilege"). A maximum of 1,284,718 shares of Class A Common Stock could be issued to the shareholders of Lynch. Prior to the offering the Company entered into an agreement (the "Stand-By Purchase Agreement"), whereupon any unsold Shares up to 625,000 Shares would be purchased by a director of the Company (the "Stand-By Purchaser"). Pursuant to the Stand-By Purchase Agreement if all the Shares were subscribed for, the Stand-By Purchaser had an option to acquire up to 625,000 shares of Class B Common Stock, $0.01 par value. For this commitment to acquire Shares under the Stand-By Purchase Agreement 75,000 shares of Class B Common Stock were issued to the Stand-By Purchaser. The Offering was oversubscribed and the Stand-By Purchaser exercised his right to purchase 625,000 shares of Class B Common Stock. The Company recieved a total of $763,887 and issued 1,284,718 shares of Class A Common Stock and 700,000 shares of Class B Common Stock upon completion of the Offering. Of the proceeds $70,000 was owed to Lynch to cover expenses incurred in connection with the Offering. Lynch paid all expenses in excess of $70,000.

NOTE E. COMMITMENTS AND CONTINGENCIES

On May 18, 1992 the Company is planning to relocate its offices to 555 Theodore Fremd Avenue, Corporate Center at Rye, Rye, New York 10580. The Company's new lease is $4,726 per month, which commenced May 8, 1992. The Company has not to date found a tenant for their current facilities. The lease on the current facilities expires in March 1993 and requires a monthly lease payment of $2,093. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

On January 2, 1992 Tremont Investors, L.P. was funded with approximately $11,000,000. Pursuant to an agreement reached between the Company and its Chairman, stating that as long as he is Chairman of the Board of Tremont Advisors, Inc., the management fee, a fixed percentage of the average net asset value of the Limited Partnership, will be paid to Tremont Investors, Inc. In return, Tremont Investors, Inc. bears the expenses of the Partnership not assumed directly by the Partnership. The Partnership start up expense, capped at $50,000, will be paid back to Tremont Investors, Inc. over a 60 month period. During the first three months of 1992 the Partnership had additional contributions of $9,371,185.

NOTE F. SUBSEQUENT EVENTS

On April 1, 1992 Tremont Investors, Ltd., an offshore fund, was funded with initial contributions of $3,000,000. The investment manager is Tremont (Bermuda) Limited, which receives a fixed percentage of the average net asset value of the fund. The start up costs of this offshore fund are charged directly to the offshore fund.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The Company's revenues are derived from consulting and specialized investment services provided to institutional and other clients. Consulting fees are generally a function of the amount of assets under management and the percentage fees charged to clients. The Company provides other consulting services generally on a fixed fee basis, whether as annual retainer fees or single project fees. The Company's principal operating expenses consist of its costs of personnel and independent consultants.

Consulting fees and charges increased by $169,662 or 185% over the first quarter results of 1991, primarily due to the increase in assets in several of its multi-manager funds, particularly the Minority Equity Funds assets which grew from $125 million on March 31, 1991 to $206 million at March 31, 1992. Assets of other multi-manager funds in which the Company is a consultant to appreciated in market value during the first three months of 1992 and 1991, but during the twelve month period contributions negated distributions.

As noted in Item 1, Note D, the Company's own multi-manager fund which started on January 2, 1992 generated revenues of $72,000 in the first quarter of 1992.

During the first three months of 1992 several new offshore consulting relationships were consummated. These agreements are based on assets under management. The additional revenues generated from these ventures were offset by the start up expenses in the first quarter. The Company expects that it will continue to derive a significant portion of its revenues from providing consulting services to multi-manager fund clients as opposed to single project consulting clients.

Compensation expenses increased by $58,506, or 69% in 1992, as compared to 1991. The additional personnel and salary increases, coupled with legal expenses incurred by the Company in connection with being a public company, were the main reasons for the dramatic increase in the first three months of 1992 over 1991. The Company anticipates hiring two additional administrative people during the second quarter of 1992.

The Company's net loss for the first three months of 1992 decreased by $86,794 from the first three months of 1991, principally as a result of lower operating and interest expenses as the interest on the Company's Note to Lynch Corporation ceased accruing on September 3, 1991. The Company at March 31, 1992 had no outstanding debt.

The impact of inflation on the Company's revenues and results of operations has not been significant.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Tremont Advisers, Inc.

Date: May 14, 1992

/s/
Suzanne S. Hammond
Secretary & Treasurer
(Duly authorized Officer and
Principal Financial and Accounting
Officer)

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SECURITIES AND EXCHANGE COMMISSION

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FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992 Commission File No. 33-39621

UNITED FIRE & CASUALTY COMPANY
(Exact Name of Registrant As Specified in Its Charter)

IOWA
(State or Other Jurisdiction of Incorporation or Organization)

42-0644327
(I.R.S. Employer Identification No.)

118 Second Avenue, S.E., Cedar Rapids, Iowa
(Address of Principal Executive Offices)

52407
(Zip Code)

(319) 399-5700
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

As of May 08, 1992; 3,209,111 shares of common stock were outstanding.

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UNITED FIRE & CASUALTY COMPANY AND SUBSIDIARIES

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PART II - OTHER INFORMATION

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To the Stockholders and
Board of Directors of

United Fire & Casualty Company:

We have made a review of the consolidated balance sheet of UNITED FIRE & CASUALTY COMPANY (an Iowa corporation) AND SUBSIDIARIES as of March 31, 1992, and the related consolidated statements of operations and cash flows for the three-month periods ended March 31, 1992 and 1991, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to the financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of United Fire & Casualty Company and Subsidiaries as of December 31, 1991, and, in our report dated February 24, 1992, we expressed an unqualified opinion on that statement. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1991, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Arthur Andersen & Co.
ARTHUR ANDERSEN & CO.

Chicago, Illinois,
May 8, 1992.

UNITED FIRE & CASUALTY COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
March 31, 1992 and December 31, 1991

	1992 (Unaudited)	1991
ASSETS		
INVESTMENTS:		
Fixed maturities, at amortized cost	$377,019,203	$340,981,033
Equity securities, at market value	50,331,927	49,779,682
Mortgage loans, at amortized cost	4,744,933	4,735,881
Policy loans, at cost	5,469,149	5,227,919
Other long-term investments, at market value	91,089	114,019
Short-term investments, at cost, which approximates market value	9,606,078	16,513,329
	$447,262,379	$417,351,863
CASH AND CASH EQUIVALENTS	328,259	2,084,750
ACCRUED INVESTMENT INCOME	7,952,167	7,180,717
ACCOUNTS RECEIVABLE	27,545,832	27,143,175
DEFERRED POLICY ACQUISITION COSTS	36,530,493	35,844,973
PROPERTY AND EQUIPMENT	11,612,302	10,978,363
REINSURANCE RECOVERABLE	2,425,579	2,191,805
INTANGIBLES	3,126,313	3,188,925
OTHER ASSETS	4,775,104	4,659,762
	$541,558,428	$510,624,333
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Future policy benefits and losses, claims and settlement expenses:		
Property and casualty insurance	$130,463,445	$123,219,350
Life insurance	188,799,126	159,982,021
Unearned premiums	64,441,527	65,333,458
Accrued expenses and other liabilities	12,949,038	17,323,613
Postretirement benefits	994,333	994,333
Income taxes payable	689,318	1,830,316
Deferred income taxes	3,742,970	4,922,644
	$402,079,757	$373,605,735
STOCKHOLDERS' EQUITY:		
Common stock	$ 10,697,043	$ 10,697,043
Additional paid-in capital	12,048,856	12,048,856
Retained earnings	101,421,683	99,048,493
Unrealized appreciation of equity securities, net of applicable income taxes	15,323,449	15,224,206
Treasury stock	(12,360)	--
	$139,478,671	$137,018,598
	$541,558,428	$510,624,333

The Notes to the Consolidated Financial Statements are an integral part of these financial statements.

UNITED FIRE & CASUALTY COMPANY
AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended March 31, 1992 and 1991

	1992	1991
Revenues:		
Premiums earned	$ 42,351,999	$ 36,548,695
Investment income, net	8,165,422	6,727,522
Realized investment gains (losses)	216,481	(28,316)
Commission and policy fee income	317,187	360,202
	$ 51,051,089	$ 43,608,103
Benefits, losses and expenses:		
Losses and settlement expenses	$ 29,273,204	$ 24,992,546
Increase in liability for future policy benefits	542,659	189,060
Amortization of deferred policy acquisition costs	8,468,955	6,786,109
Other underwriting expenses	6,684,819	6,889,375
Interest on policyholders' accounts	2,646,400	1,708,257
	$ 47,616,037	$ 40,565,347
Income before income taxes	$ 3,435,052	$ 3,042,756
Federal income taxes	2,855	828,002
Net income	$ 3,432,197	$ 2,214,754
EARNINGS PER COMMON SHARE:		
Net income	$ 1.07	$ .69
Weighted average common shares outstanding	3,209,000	3,209,111
Dividends declared per common share	$ .33	$ .33

The Notes to the Consolidated Financial Statements are an integral part of these financial statements.

UNITED FIRE & CASUALTY COMPANY
AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 1992 and 1991

	1992	1991
Cash Flows from Operating Activities:		
Net Income	$ 3,432,197	$ 2,214,754
Adjustments to reconcile net income to net cash provided by operating activities		
Bond (discount) and premium amortization	$ (141,600)	$ (169,033)
Depreciation and amortization	429,738	467,032
Realized (gains) losses on sale of investments	(216,481)	28,316
Realized losses on sale of property and equipment	1,002	276,764
Accrued investment income	(771,450)	(544,225)
Accounts receivable	(402,657)	300,478
Reinsurance recoverable	(233,774)	629,128
Deferred policy acquisition costs	(685,520)	(1,238,612)
Other assets	(115,342)	723,160
Future policy benefits and losses, claims and settlement expenses	36,061,200	20,031,963
Unearned premiums	(891,931)	(604,787)
Accrued expenses and other liabilities	(3,315,568)	(3,025,347)
Income taxes payable	(1,140,998)	(494,896)
Deferred income taxes	(1,230,796)	(377,106)
Total adjustments	$ 27,345,823	$ 16,002,835
Net cash provided by operating activities	$ 30,778,020	$ 18,217,589
Cash Flows from Investing Activities:		
Proceeds from sale and maturity of investments	$ 25,352,674	$ 10,317,878
Purchase of investments	(54,754,745)	(28,326,254)
Proceeds from sale of property and equipment	--	3,910
Purchase of property and equipment	(1,002,066)	(224,466)
Net cash used by investing activities	$(30,404,137)	$(18,228,932)
Cash Flows from Financing Activities:		
Purchase of treasury stock	$ (12,360)	$ --
Payment of cash dividends	(2,118,014)	(2,119,994)
Net cash used by financing activities	$ (2,130,374)	$ (2,119,994)
Decrease in Cash and Cash Equivalents	$ (1,756,491)	$ (2,131,337)
Cash and Cash Equivalents at Beginning of Year	$ 2,084,750	$ 2,180,218
Cash and Cash Equivalents at End of Period	$ 328,259	$ 48,881

The Notes to the Consolidated Financial Statements are an integral part of these financial statements.

UNITED FIRE & CASUALTY COMPANY
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. In the opinion of the management of United Fire & Casualty Company and subsidiaries (the Company), the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position, the results of operations, and cash flows for the periods presented. The results for the interim periods are not necessarily indicative of the results of operations that may be expected for the year. The financial statements contained herein should be read in conjunction with the Company's annual report on Form 10-K for the year ended December 31, 1991. The review report of Arthur Andersen & Co. accompanies the unaudited consolidated financial statements included in Item 1 of Part I.

Note 2. The Company maintains its records in conformity with the accounting practices prescribed or permitted by the Insurance Department of the State of Iowa. To the extent that certain of these practices differ from generally accepted accounting principles, adjustments have been made in order to present the accompanying financial statements on the basis of generally accepted accounting principles.

Certain amounts included in the financial statements for the previous year have been reclassified to conform with the financial statement presentation at March 31, 1992.

Note 3. For purposes of reporting cash flows, cash and cash equivalents include cash, money-market funds, and non-negotiable certificates of deposit. Income taxes paid for the three months ended March 31, 1992 and 1991 were $2,355,340 and $1,700,000, respectively. There were no significant payments of interest through March 31, 1992 and March 31, 1991.

UNITED FIRE & CASUALTY COMPANY
AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MATERIAL CHANGES IN FINANCIAL CONDITION:

The Company's investment philosophy continues to support an emphasis in fixed maturities, as evidenced by the increase of $36,000,000 through the first quarter of 1992. Funds generated from increased premiums collected were utilized for investment purposes. As the result of this increase in fixed maturities, accrued investment income increased 11% or $770,000. Total assets, including investments, increased a moderate 6%.

Total liabilities increased 8%, or $28,500,000 over December 31, 1991. Future policy benefits increased $28,800,000. Two principal factors contributed to this substantial increase in the life segment's reserves. Currently, the life company's emphasis is in its universal life products and annuities. Annuity premiums increases future policy benefits dollar for dollar. At March 31, 1992, annuity premiums collected were $18,000,000. $9,700,000 of the increase in reserves is attributable to the universal life products. Other liabilities decreased $4,400,000, or 25% from December 31, 1991. A sizable decrease is typical in the first quarter. Liabilities that were established at December 31 of the preceding year, such as premium taxes and contingent commissions to agents, are substantially paid by March 31.

Stockholders' equity increased 2% over December 31, 1991. The modest increase in unrealized appreciation of $99,000 reflects the relatively stable conditions in the investment market.

MATERIAL CHANGES IN RESULTS OF OPERATIONS:

Premiums earned increased 16% or $5,800,000 over the first quarter of 1991. The property and casualty segment contributed 90% of the increase, or $5,200,000. An increase in premiums written, both direct and assumed, contributed to the higher earned premium. The increase in investment income of $1,400,000 was concentrated in the life segment. The investment income increase is consistent with the increase in fixed maturities discussed above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Losses and settlement expenses increased 17% over March, 1991, with the property and casualty segment contributing 74% of the increase. Incurred losses in many of the insurance lines rose moderately between the first quarter of 1992 and 1991. Increases during the later part of 1991 in reserves in the National Workers' Compensation Reinsurance Pool; and a strengthening of the reserves acquired through insurance company purchases made in 1990, were significant factors in the experience deterioration.

The low effective rate of federal income tax expense is due to several factors. The Company is utilizing net operating losses acquired with the purchase of Addison Farmers' Insurance Company to offset the subsidiaries' income. The net operating loss carryforward utilized lowers taxable income approximately $320,000. In addition, the Company is in an alternative minimum tax position for the first quarter of 1992. The Company has accrued a deferred tax benefit for the excess of alternative minimum tax over regular tax which will be used in the future to lower federal income tax. The effect of accruing this benefit is to lower federal income tax expense approximately $300,000.

LIQUIDITY AND CAPITAL RESOURCES:

Historically, the business of the Company and its subsidiaries has generated a positive cash flow. The primary sources of cash are premium income, investment income and maturing investments. The maturity schedule in the investment portfolio is intended to provide sufficient liquidity to meet foreseeable cash requirements. There are no commitments for capital expenditures. The Company and its subsidiaries require capital to support their writings.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(A) Exhibits-Exhibit II - Computation of Earnings Per Common Share (Page 10).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED FIRE & CASUALTY COMPANY
(Registrant)

May 8, 1992
Date

Scott McIntyre, Jr., Chairman and
Chief Executive Officer

K.G. Baker, Vice President and
Chief Financial Officer

Exhibit II. Computation of Earnings Per Common Share

	Column A Weighted Average Number Of Shares Outstanding	Column B Net Income	Column C Earnings Per Common Share B ÷ A
Three months ended March 31:			
1992	3,209,000	$ 3,432,197	$ 1.07
1991	3,209,111	2,214,754	.69

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Computation of weighted average number of common and common equivalent shares:		
Common shares outstanding beginning of the period	3,209,111	3,209,111
Weighted average of treasury shares purchased	(111)	--
Weighted average number of common shares	3,209,000	3,209,111

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: MARCH 31, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: ____________ to ________

Commission File Number: 0-13928

BEST COPY AVAILABLE

United Services Advisors, Inc.
(Exact Name of Registrant as Specified in its Charter)

Texas	74-1598370
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

11330 I.H. 10 West, Suite 5300
San Antonio, Texas 78249-3340
(Address of Principal Executive Offices)
(Zip Code)

14-14

PROCESSED BY

MAY 18 1992

(512) 696-1234
(Registrant's Telephone Number, Including Area Code)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Not Applicable
(Former Name, Former Address and Former Fisc[illegible], If Changed Since Last Report)

L5

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

The Registrant has one class of common stock outstanding of which, on April 30, 1992, there were 603,651 shares outstanding.

The Registrant has one class of preferred stock outstanding of which, on April 30, 1992, there were 3,857,123 shares outstanding.

UNITED SERVICES ADVISORS, INC.

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March 31, 1992 and June 30, 1991

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

UNITED SERVICES ADVISORS, INC.
CONSOLIDATED BALANCE SHEETS

Assets

	MARCH 31, 1992 (UNAUDITED)	JUNE 30, 1991
Current Assets		
Cash and cash equivalents	$ 1,842,598	$ 2,034,231
Marketable securities (at lower of cost or market)	330,316	225,573
Receivables:		
Mutual funds	468,932	621,466
Other	214,313	74,024
Prepaid expenses	284,724	200,294
Total Current Assets	3,140,883	3,155,588
Building, Land, and Improvements (Note D)	1,018,165	---
Furniture and Equipment	4,030,349	3,909,804
Less accumulated depreciation and amortization	(3,284,997)	(2,882,113)
Net Fixed Assets	1,763,517	1,027,691
Other Assets		
Restricted cash and cash equivalents	360,000	375,000
Other	132,460	91,308
Total Other Assets	492,460	466,308
	$ 5,395,860	$ 4,649,587

The accompanying notes are an integral part of this statement.

ITEM 1. **FINANCIAL STATEMENTS (continued).**

UNITED SERVICES ADVISORS, INC.
CONSOLIDATED BALANCE SHEETS
(Continued)

Liabilities and Shareholders' Equity

	MARCH 31, 1992 (UNAUDITED)	JUNE 30, 1991
Current Liabilities		
Notes and interest payable - current portion (Note D)	$ 36,489	$ ---
Current portion of capital lease obligations	52,634	50,173
Current portion of settlement obligation (Note E)	234,524	218,751
Current portion of annuity obligations	2,704	2,704
Accounts payable	36,321	42,288
Accrued profit sharing	22,768	55,115
Accrued vacation pay	53,959	53,959
Other accrued expenses	70,351	75,094
Total Current Liabilities	509,750	498,084
Notes Payable - Net of Current Portion (Note D)	852,353	---
Capital Lease Obligations	140,077	180,127
Annuity Obligations	185,038	182,429
Shareholders' Equity		
Preferred stock--$.05 par value; non-voting; authorized, 6,000,000 shares	186,236	183,067
Common stock--$.05 par value; authorized, 4,000,000 shares	36,797	38,966
Additional paid-in-capital	5,172,212	5,143,212
Treasury stock at cost	(93,488)	(93,488)
Stock warrants outstanding	39,645	45,175
Retained earnings (deficit)	(1,631,750)	(1,527,985)
Total Shareholders' Equity	3,709,652	3,788,947
	$ 5,395,860	$ 4,649,587

The accompanying notes are an integral part of this statement.

UNITED SERVICES ADVISORS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	NINE MONTHS ENDED MARCH 31,		THREE MONTHS ENDED MARCH 31,	
	1992	1991	1992	1991
REVENUE (Note C)				
Investment advisory fee	$ 2,703,495	$ 2,725,429	$ 859,382	$ 865,426
Transfer agent fee	1,747,516	1,739,806	528,205	579,371
Accounting fee	303,260	273,583	110,298	90,774
Exchange fee	142,560	144,305	54,125	36,445
Custodian fee	82,500	---	82,500	---
Other	314,778	256,015	118,340	80,303
	5,294,109	5,139,138	1,752,850	1,652,319
EXPENSES				
General and administrative	5,344,109	4,707,729	1,965,315	1,584,077
Interest	53,542	80,275	17,575	27,093
	5,397,874	4,788,004	1,982,890	1,611,170
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(103,765)	351,134	(230,040)	41,149
Provisions for federal income taxes				
Current	---	64,306	(93,529)	(32,058)
Deferred	---	27,540	50,115	15,264
	---	91,846	(43,414)	(16,794)
EARNINGS BEFORE EXTRAORDINARY ITEM	$ (103,765)	$ 259,288	$ (186,626)	$ 57,343
EXTRAORDINARY ITEM				
Reduction of income taxes arising from utilization of net operating loss carryforwards	---	91,065	(43,414)	(14,330)
NET EARNINGS	$ (103,765)	$ 350,353	$ (230,040)	$ 43,613
PER SHARE AMOUNTS				
Primary and fully diluted				
Continuing operations	$ (.02)	$ .06	$ (.05)	$ .01
Extraordinary item	.00	.02	.00	.00
NET EARNINGS	$ (.02)	$ .08	$ (.05)	$ .01
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
Primary and fully diluted	4,384,527	4,418,666	4,389,655	4,423,738

The accompanying notes are an integral part of these statements.

ITEM 1. **FINANCIAL STATEMENTS (continued).**

UNITED SERVICES ADVISORS, INC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	NINE MONTHS ENDED MARCH 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ (103,765)	$ 350,353
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation & amortization	438,120	476,065
Non-recurring charges	---	70,803
Allowance for marketable securities	(10,738)	---
Federal income taxes	---	(16,531)
Gain on disposal of equipment	10,209	61
Changes in assets and liabilities, impacting cash from operations:		
Restricted Cash	15,000	(275,000)
Accounts receivable	12,245	(314,966)
Prepaid expenses and other	(111,638)	(144,979)
Accounts payable	(6,057)	(76,183)
Accrued expenses and settlement obligations	(21,317)	(35,592)
TOTAL ADJUSTMENTS	325,824	(316,322)
NET CASH PROVIDED BY OPERATIONS	222,059	34,031
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of building and land (Note D)	(1,018,165)	---
Purchase of furniture and equipment	(161,556)	(195,476)
Purchase of marketable securities	(104,743)	(234,274)
	(1,284,464)	(429,750)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	(37,589)	(182,361)
Proceeds from bank loan (Note D)	886,500	---
Payments on annuity	(2,609)	(5,008)
Proceeds from issuance of stock	30,000	---
Purchase of Treasury stock and warrants	(5,530)	(97,598)
	870,772	(284,967)
NET INCREASE (DECREASE) IN CASH	(191,633)	(680,686)
Beginning cash	2,034,231	2,836,558
ENDING CASH	$ 1,842,598	$2,155,872

Supplemental disclosure of cash flow information:

Cash paid for Interest	$ 38,692	$ 21,775

The accompanying notes are an integral part of this statement.

UNITED SERVICES ADVISORS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE A. BASIS OF PRESENTATION.

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. United Services Advisors, Inc. ("the Company" or "USAI") has consistently followed the accounting policies set forth in the Notes to the Consolidated Financial Statements in the Company's Form 10-K for the year ended June 30, 1991.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, United Shareholders Services, Inc. ("USSI") , Security Trust and Financial Company ("STFC") and A&B Mailers, Inc. ("A&B"). All inter-company balances and transactions have been eliminated in consolidation.

The results of operations for the nine month period ended March 31, 1992 are not necessarily indicative of the results to be expected for the entire year.

NOTE B. MARKETABLE SECURITIES.

Marketable securities consist primarily of investments in mutual funds or series of United Services Funds ("USF"). Investments in marketable securities are stated at the lower of cost or market. Cost was $330,316 and $225,573 at March 31, 1992 and June 30, 1991, respectively. Market value of these investments approximated cost at March 31, 1992 and June 30, 1991.

NOTE C. INVESTMENT MANAGEMENT, TRANSFER AGENT AND OTHER FEES.

The Company serves as investment advisor to USF and one individual and is transfer agent to USF. For these services the Company receives fees based on a specified percentage of net assets under management and the number of shareholder accounts. The Company also provides accounting services to USF. Prior to February 1, 1992, the accounting services fee was based on the costs associated with maintaining the books and records of each of the funds. Subsequent to February 1, 1992 accounting services are provided to USF for an annual fee. The accounting services are competitively priced to provide the Company with a reasonable return. The Company also receives fees from shareholders who exchange between the mutual funds of USF.

USAI has voluntarily waived or reduced its advisory fee; guaranteed that fund expenses will not exceed certain limits; and/or has agreed to pay expenses on the following USF funds for purposes of enhancing their performance in order to attract more assets under management. The aggregate amount of fees waived and expenses borne by the Company for the nine month period ended March 31, 1992 was $712,830.

USAI had voluntarily agreed to reduce its management fee payable by the U.S. Treasury Securities Cash Fund until December 31, 1991 or until such later date as USAI determines. Effective May 1, 1992 the fee was reduced 30% to a monthly fee of 1/12 of 0.35% of average net assets. Prior to May 1, 1992 the monthly management fee had been reduced 50% to 1/12 of 0.25% of average net assets. USAI has guaranteed that total fund operating expenses will not exceed 1.00% through June 30, 1993.

The advisory fee for the U.S. Government Securities Savings Fund and the U.S. California Double Tax Free Fund have been waived until June 30, 1993 or until such later date as USAI determines. USAI has agreed to bear all other expenses of these funds including transfer agency fees until further notice.

USAI has guaranteed that total operating expenses (as a percentage of average net assets) on an annualized basis will not exceed 0.70% for the U.S. Vision 2020 Fund and the new U.S. Treasury Bond Fund (effective May 7, 1992) until June 30, 1993 or until such later date as USAI determines. USAI has also guaranteed that total operating expenses (as a percentage of average net assets) on an annualized basis will not exceed 0.70% for the U.S. Tax Free Fund until December 31, 1992.

The investment advisory contract and related contracts between the Company and USF were renewed on October 25, 1991 and continue until October 26, 1992. Management believes that the investment advisory contract and related contracts between the Company and USF will be renewed in October 1992.

NOTE D. NOTES PAYABLE.

The Company acquired a 46,000 sq.ft. office building with approximately 2.5 acres of land from the Resolution Trust Corporation ("RTC") for $1,018,165, which includes closing costs, on February 28, 1992. The Company plans to move its headquarters to this building during the summer of 1992. Accordingly, the Company anticipates making substantial improvements to the building in order to accommodate this move.

To facilitate the cost of acquisition and the necessary improvements, the Company obtained permanent financing from a bank in the amount of $1,425,000. The current balance on the note is $886,500. Interest is payable monthly at 7.5% until August 1992 at which time the loan begins amortizing over a twenty year period with payments of both principal and interest due monthly at a fixed rate of 8.25%. This rate is adjustable each August 1995, 1998, and 2001 to 1.75% above the prime rate. The loan matures August 2002.

NOTE E. SETTLEMENT OBLIGATION.

During the next quarter the Company will make its final payment under the April 1988 settlement agreement related to the Prospector Fund litigation. For the past several years Management has been providing its best estimate of its ultimate obligation, the amount of which has included anticipated recoveries from certain parties against whom the Advisor has judgements. The payment to be made in June 1992 will be approximately $450,000. The payment must be made before pending litigation and recoveries are finalized. Management believes that the Company will recover a sum from litigation and/or other sources which will equal or exceed the difference between the June payment and the present value of the obligation estimated by Management as set forth under current liabilities in the balance sheet. As a consequence, Management has decided not to adjust its estimate at this time.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS
NINE MONTHS ENDED MARCH 31, 1992 AND 1991

The Company's net loss before income taxes was $103,765 ($.02 per share) for the nine months ended March 31, 1992, as compared to net earnings of $351,134 ($.08 per share) for the nine months ended March 31, 1991.

Revenues

Revenues for the nine months ended March 31, 1992 increased by approximately 3% as a result of Security Trust & Financial Company ("STFC"), a wholly-owned trust company, earning custodian fees on retirement accounts utilizing United Services Funds ("USF"). Prior to January 1992, such fees (which ranged between $300,000 and $400,000 annually) were paid to a third party custodian. Also, other revenues increased as a result of an increase in outside mailing business handled by A&B.

Revenues would have been higher but for fees the Company has agreed to waive in order to enhance the competitiveness of certain funds of USF (see **Note C** to the Consolidated Financial Statements). For the nine month period the aggregate amount of fees waived were approximately $538,707. Effective May 1, 1992, the Company increased the portion of the management fee it collects from the U.S. Treasury Securities Cash Fund (see Liquidity and Capital Resources). At present asset levels, such increase could add approximately $150,000 annually to revenues.

Expenses

General and administrative expenses for the nine month period ended March 31, 1992 increased 14% over the same period one year earlier. The majority of this increase occurred during the three month period ended March 31, 1992 and can be attributed as follows:

1) Marketing and distribution expenses increased by approximately $281,000 (includes approximately $132,000 for prospectus fulfillment) primarily as a result of increased efforts to market certain funds of USF which have been ranked #1 in their categories by several ranking services. As a result of these rankings, numerous print media have profiled these funds to their readership. In order to take advantage of this free third party exposure the Company strategically increased the level of its direct mail, advertising and shareholder conference/campaigns. As a result, the number of prospectuses requested by investors has more than doubled over the previous year (from 29,515 to 61,400).

2) Related to the increase in marketing and distribution expenses is an approximate $146,000 increase in fund expenses borne by the Company. As set forth in **Note C** to the Consolidated Financial Statements, the Company has agreed to bear the expenses of certain funds for purposes of enhancing performance in order to attract more assets under management. The U.S. Government Security Savings Fund, for example, has been ranked the #1 performing government only money market fund in the United States for over one year. This ranking, along with the Company's marketing efforts, has attracted over $70 million in assets under management during this one year period with the average investor opening an account with a balance in excess of $14,000.

Although the Company has been known for its gold funds, it has focused its marketing efforts toward building a well diversified group of non-gold mutual funds. Gold's volatility would make operating USAI difficult if it were to depend on only gold investments for cash flow. Steady and consistent cash flow is vital for successful management and long-term growth. By building non-gold assets today Management is positioning the Company to realize a steady source of cash flow in the future. Today 51% of total USF assets are non-gold related versus 36% in 1989 and new shareholder investments in non-gold funds have grown from 45% of all investments in 1990 and 1991 to 74% in 1992.

Accordingly, marketing expenses and the bearing of fund expenses are expected to continue at these higher levels in order for the Company to advance its diversification objectives, as long as market and economic conditions warrant. However, except for the Company's commitment to certain funds with respect to fee waivers and expense limitations, the Company has the option of ceasing payment of fund expenses at any time (after June 30, 1992 for the U.S. Government Securities Savings Fund).

3) Salaries, wages and benefits increased approximately $340,000 due to an increase in the number of employees as well as an increase in the cost of providing health care insurance to employees. On April 15, 1992, the Company undertook to reduce its work force by approximately 8%. The Company expects to save approximately $243,000 on an annual basis. The severance costs associated with the reduction amounted to approximately $22,000 and such costs were incurred in the month of April.

4) Certain expenses have, on the other hand, decreased during the period. The Company experienced approximately $95,000 and $112,000 in decreases in legal and professional and gross occupancy expenses, respectively.

THREE MONTHS ENDED MARCH 31, 1992 AND 1991

The Company's net loss before income taxes was $230,040 ($.05 per share) for the three months ended March 31, 1992, as compared to net earnings of $41,149 ($.01 per share) for the three months ended March 31, 1991.

Revenues

Revenues for the three months ended March 31, 1992 increased approximately 6% when compared to the like period one year earlier. This increase is principally due to STFC earning custodian fees on USF retirement accounts.

Expenses

General and administrative expenses increased 24% for the three months ended March 31, 1992, as compared to the same period one year earlier. This relates to increases primarily in areas set forth above in the nine month discussion.

LIQUIDITY AND CAPITAL RESOURCES

During the nine month period ended March 31, 1992, the Company experienced cash flow from operations of approximately $222,000. This was offset, however, by cash that was used to purchase an office building (see **Note D** to the Consolidated Financial Statements) and to acquire additional marketable securities. These two actions served to decrease the available cash position of the Company by approximately $200,000. At March 31, 1992, the Company had working capital of approximately $2.6 million and total shareholders equity of approximately $3.7 million.

The building will allow the Company to consolidate all its operations under one roof; provide the additional space currently needed to comfortably and efficiently accommodate the Company's operations; and, will provide for future growth with minimum disruption. The Company anticipates having to cash outflow slightly more for its new location than it is paying for leased facilities in its present location. As the Company does not intend currently to occupy the entire building, it has undertaken to actively seek tenants for the vacant portion. Accordingly, tenant revenues would serve to reduce the costs (cash outflow) of operating the building. Furthermore, the move will broaden the Company's exposure in the local San Antonio market as the facility is situated at the busiest intersection in the city.

The Company has agreed to bear certain expenses and waive fees on several of USF's funds (see **Note C** to the Consolidated Financial Statements). Should assets of these funds increase, expenses borne by the Company would increase accordingly, adversely impacting cash flow. However, except for the Company's commitment to fee waivers and expense limitations, the Company has the option of ceasing payment of fund expenses at any time.

Management had noted that the size and frequency of switching between the U.S. Gold Shares Fund and the U.S. Treasury Securities Cash Fund had increased dramatically since 1989; and that most of the short-term trading was attributable to a few large USF shareholders. Management took action to limit such trading/switching during the third quarter. Due to this action, several USF shareholders have moved their monies to funds outside the USF complex. Management estimates that advisory fee revenue will be approximately $250,000 (annually) less as a result.

During the next quarter, the Company will make its final payment under the April 1988 settlement agreement related to the Prospector Fund litigation. The payment to be made in June 1992 will be approximately $450,000 (see **Note E** to the Consolidated Financial Statements).

On October 24, 1991, STFC was granted a charter by the Texas State Department of Banking. USAI contributed $500,000 to capitalize STFC. STFC operations commenced on January 1, 1992. USF's Board of Trustees has appointed it as service provider to USF retirement accounts. It is estimated that revenues will range between $300,000 - $400,000 annually. Additionally, STFC is actively marketing 401(k) and other retirement plans to small and medium sized companies.

Effective February 1, 1992, United Shareholder Services, Inc. (" USSI"), a wholly-owned subsidiary, entered into a new Bookkeeping and Accounting Agreement with USF, pursuant to which USSI is charging a fee in excess of its costs. The previous contract provided these services at cost (see **NOTE C** to the Consolidated Financial Statements). It is estimated that revenues will increase approximately $100,000 annually as a result of the new agreement. However, USSI could incur additional expenses of approximately $37,000 related to pricing of USF funds. USSI is working to develop a computer program which would be designed to reduce the Company's cost of providing such services to USF.

Effective May 1, 1992, the Company increased the portion of the management fee it collects from the U.S. Treasury Securities Cash Fund from .25% to .35%. At the same time, the Company has guaranteed that expenses of this fund will not exceed 1%. Notwithstanding this limitation, at present asset levels, such increase could add approximately $150,000 annually to revenues.

As mentioned above, on April 15, 1992, the Company undertook to reduce its work force by approximately 8%. As a result, the Company expects to save approximately $243,000 per year. The severance costs associated with the reduction amounted to approximately $22,000 and such costs will be

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued).

reflected in the fourth quarter.

Management believes current cash reserves, plus finances obtained and cash flow from operations, will be sufficient to meet any foreseeable cash needs or capital necessary for the above mentioned activities, as well as allow the Company to take advantage of investment opportunities whenever available. The Company continues to investigate the possibility of certain potential acquisitions in order to increase its mutual fund asset base.

PART II. OTHER INFORMATION

ITEM 6. **EXHIBITS AND REPORTS ON FORM 8-K.** **Page No.**

a. Exhibits ...

None

b. Reports on Form 8-K ...

No reports on Form 8-K have been filed during the quarter for which this Form 10-Q is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

UNITED SERVICES ADVISORS, INC.

DATED: May 14, 1992

By:____________________

Bobby D. Duncan
Executive Vice President
Chief Financial Officer

DATED: May 14, 1992

By:____________________

Ronald W. Evans
Vice President
Chief Accounting Officer